NOVEMBER 25, 1955 20 CENTS

U.S. News & World Report

The United States News ® World Report ®

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Keeping America on the GO...with **TIMKEN**® *Tapered Roller Bearings*

How Western Pacific switched from this sign to this sign for this sign *on time*

EVERY railroader is alerted to watch for hot boxes on passing trains—and to signal by holding his nose when he sees one. When that signal comes, the engineer stops the train. The train may be delayed for hours—the car with the hot box for days.

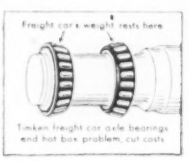
The "Roller Freight" sign on the cars above replaces the hot box sign. It says the Western Pacific is eliminating the hot box problem by switching to Timken® tapered roller bearings.

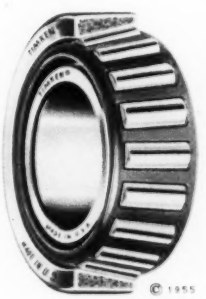
Western Pacific is using 100 of these "Roller Freight" gondolas to help speed deliveries on a 900-mile run—has 85 more Timken-bearing-equipped cars on order. In twenty-five months the 100 cars have traveled over 8,500,000 trouble-free car-miles.

Timken bearings eliminate the hotbox problem because they *roll* the load. They cut terminal inspection time 90%, lubricant cost as much as 89%.

Timken bearings are designed to roll true, made to live up to their design. They're lowest cost in terms of performance.

The railroads, like all industry, are using more and more Timken bearings to keep America on the go. The Timken Roller Bearing Company, Canton 6, Ohio. Canadian plant: St. Thomas, Ontario. Cable: "TIMROSCO".





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★ **How Move to Suburbs Is Changing Cities**

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★ **In Autos' Biggest Boom, Dealers Sing the Blues**

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Does your banker grow corn like this?

YOU MIGHT take the man on the left for a banker—and the man displaying the splendid ear of hybrid corn as his customer. But you'd be dead wrong. The proud corn grower is actually a lending officer from The First National Bank of Chicago—on his own farm!

He's from Division A, the Division of our Commercial Department that serves the nation's great livestock, grain, feed and seed industries. The customer with him is a producer of hybrid seed corn, and they're discussing the effect of certain inbred lines in this particular variety.

Information like this—put into practice on his 230-acre farm—is of major interest to our man. It has been since his days as an agriculture student at the University of Illinois. And right on through 30 years of agricultural specialization at our bank.

This is typical of the interest and knowledge you'll be greeted with in each of our 10 Divisions. Each specializes in financing one group of industries exclusively. As a result, the officers of each Division study their fields firsthand. They keep abreast of new developments in a way that's unique in American banking.

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The March of the News

DEMOCRATIC "BOLTERS"

THE ATMOSPHERE was fairly harmonious as Democratic National Committee members met in Chicago to kill off the "loyalty oath" that caused so much strife at their 1952 National Convention. It would have required Convention delegates to pledge their support of the party nominee.

With every Southern State represented, the Committeemen unanimously adopted a "compromise" set of Convention rules which would not require party leaders to sign anything.

Then former National Chairman Stephen A. Mitchell shattered the peaceful scene. Mr. Mitchell served notice he personally would challenge the seating next year of four prominent Southern Democrats who bolted the party in 1952 to support Dwight D. Eisenhower for the Presidency. The four: former Governor James F. Byrnes of South Carolina; Governor Robert Kennon of Louisiana; Governor Allan Shivers of Texas; former National Committeeman Wright Morrow, of Texas.

CANCER TEST

A NEW TEST for detecting cancer was called "promising" by three Ohio scientists who have used it in more than 1,700 cases. Best results, they reported, were obtained in detecting cancer in its early stages, where the test proved 96.5 per cent accurate. Developed by Drs. James A. Quinn, Stanley A. Katz and Arthur E. Rappaport, the test is based on "distinct differences" between the blood serum of persons with and without cancer. Its developers say the test is inexpensive and suitable for mass screening.

"ATOMIC SUMMIT"

THE ATOMIC ENERGY COMMISSION in Washington was the scene of an "explosion" last week. Four Republican members of the AEC took issue with a speech made by Thomas E. Murray, the lone Democratic Commissioner.

Mr. Murray had proposed a meeting at what he termed the "atomic summit." The U. S., he said in a speech in New York City, should invite leaders from every nation, including Russia, to witness the detonation of a large thermonuclear weapon at Eniwetok, an island in the Central Pacific.

Many Americans have "swallowed" Soviet propaganda claiming nuclear superiority for the Communists, Mr. Murray said, and possibly the Russians believe it themselves. A "summit" meeting would "disabuse our enemies" of any such idea, he declared, and would be "a show of force—a declaration of American power."

When Mr. Murray's remarks were made public, the other AEC members went into a day-long huddle with Chairman Lewis L. Strauss. Then they issued a statement: ". . . A number of months ago the Commission by formal action rejected Commissioner Murray's motion to invite foreign observers . . . to witness tests of nuclear weapons in the Pacific . . . Mr. Murray's proposal, therefore, is contrary to the best judgment of the Atomic Energy Commission."

SUPERSONIC JUMP

A TEST PILOT, 31-year-old George Smith, bailed out of a plane traveling faster than the speed of sound on Feb. 26, 1955. It was an emergency jump, but it provided valuable medical information to the Air Force. Last week, military authorities lifted the security veil on just what happens when a pilot smacks into a wall of air at 777 miles per hour:

George Smith lost shoes, socks, helmet, oxygen mask, wrist watch, gloves and a ring. His clothes were in ribbons, but his parachute held. The impact loosened his knee joints, caused bleeding in all parts of his body, blinded him for a period. Mr. Smith was unconscious for five days; hospitalized for months.

The pilot weighed 215 pounds when he made the jump; he dropped to 150 pounds in the hospital; today is back up to 176 pounds. His eyes still are sensitive to glare, and his right knee is a little stiff. Damage to his liver means he can never touch alcohol. But, on August 23, Mr. Smith passed the Civil Aeronautics Administration physical examination for a commercial flying certificate.

WEST GERMAN ARMY

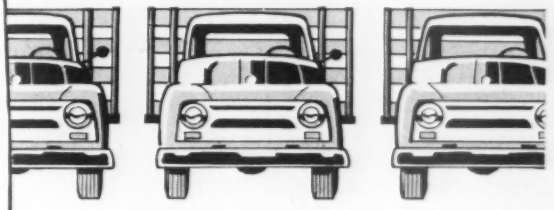
THE SCENE was a garage in the West German Defense Ministry at Bonn. Gathered there last week were 101 men —a few in uniform, but most in civilian dress. Standing beneath a big Iron Cross, Defense Minister Theodor Blank gave each man his certificate of appointment in the West German armed forces.

Thus, without fanfare or rejoicing, the West German military arm was born. It consisted of 2 generals, 18 lieutenant colonels, 75 Army, Navy and Air Force officers of lower ranks, and 6 noncommissioned officers. By Jan. 1, 1960, that little nucleus is expected to grow to a force of 500,000 men.

Sales up
$7200 a week...

Hundreds of new
customers added...

Three new delivery
trucks ordered...



And the telephone is the only salesman!

Here's another example of the *sales-power* of the telephone in developing out-of-town business.

The Sun Ray Wholesale Company, an Indiana feed and grain dealer, has built up a $375,000 annual business *solely* by calling out-of-town customers on the telephone! The cost of the calls is less than 1% of sales. The results are shown above.

Whether you sell grain or grommets, flowers or flounders—or almost anything else—you'll find that the planned use of Long Distance doesn't cost . . . it *pays!* We'd like to show you how to make profitable use of the telephone in your business. Just call your Bell Telephone Business Office—there's no obligation. A representative will visit you at your convenience.

BELL TELEPHONE SYSTEM

LONG DISTANCE RATES ARE LOW

Here are some examples:

Indianapolis to Akron	90¢
Philadelphia to Boston	95¢
Dallas to St. Louis	$1.35
Atlanta to New York	$1.50
Los Angeles to Washington, D. C.	$2.50

These are the daytime Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

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Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

Ike Surprises His Doctors . . . Weeks Still Seeking Trade With Reds . . . Why Molotov Is Called a Clerk

John Foster Dulles, Secretary of State, all along had been pessimistic about the durability of the so-called "Geneva spirit." His speech last week showing how the American definition of the "Geneva spirit" differs from the Russian is regarded as a diplomatic way of saying the Russians have killed it.

★ ★ ★

An American at Geneva, expressing surprise to a top Communist at the rough Communist tactics, got this angry rejoinder: "Don't blame us for the smiles. You Americans started that."

★ ★ ★

Adlai Stevenson—or any other Democratic candidate—will have to go slow in attacking the Eisenhower foreign policy, despite the failure of the latest Geneva meeting. The reason is that much of this Administration's foreign policy was initiated by Democrats, including Senator Walter F. George, of Georgia, dean of the Senate and chairman of the Foreign Relations Committee.

★ ★ ★

George Humphrey, Secretary of the Treasury, is not looking with favor on proposals of one group in the Cabinet to use dollars on an increasing scale in an attempt to buy back the favor of nations in less developed parts of the world. It is doubtful if there will be any big advances to India or to Middle Eastern countries in an effort to counterbalance Soviet offers.

★ ★ ★

President Eisenhower has surprised even his doctors by the rapidity of his comeback from his heart attack.

★ ★ ★

It is going to be very difficult for the President to say "no" to the draft move that is being worked out by Republican leaders. If present plans develop, it will give Mr. Eisenhower little alternative to renomination, except on a basis that would leave the party in trouble.

★ ★ ★

Mamie Eisenhower has been greatly impressed by the sincerity of people who feel that the country cannot afford to have Ike retire.

★ ★ ★

Britain's Princess Margaret is seriously considering a visit to the United States next year.

★ ★ ★

Military officials insist in private that important cuts are being made in the armed strength of this country despite official insistence in public that cuts affect only paper strength.

★ ★ ★

William McChesney Martin, Jr., and the Federal Reserve Board he heads are not happy about the rapid gyrations of the stock market or the tendency for use of installment credit to go on rising despite moves by the Reserve Board to tighten credit. There is a feeling that, if the Board is forced to demonstrate extent of its ability to slow expansion in credit, the restraints might have undesirable side effects.

★ ★ ★

A high-ranking British diplomat says that Egypt's Premier Gamal Nasser has told friends he must build up the Egyptian Army as the basis of his strength within the country. To keep power himself, he feels it necessary to give the Army what it wants.

★ ★ ★

Charles Bohlen, U. S. Ambassador to the Soviet Union, has been asked by President Eisenhower to stay on in Moscow for another year. Mr. Bohlen had wanted to move from his difficult and not very rewarding post.

Sinclair Weeks, Secretary of Commerce, is convinced that this country should go ahead trying to work out trade deals behind the Iron Curtain in spite of the sad end to the "Geneva spirit." Secretary Weeks believes trade deals of advantage to both sides can be struck without adding very much to Russia's military strength.

★ ★ ★

It is going to be more difficult for delegations from the Soviet Union to get admission to this country in the period ahead. Officials have discovered that delegations so far admitted have stolen a good deal of know-how without giving anything tangible or intangible in return. There also is doubt that Russia will admit many more American delegations.

★ ★ ★

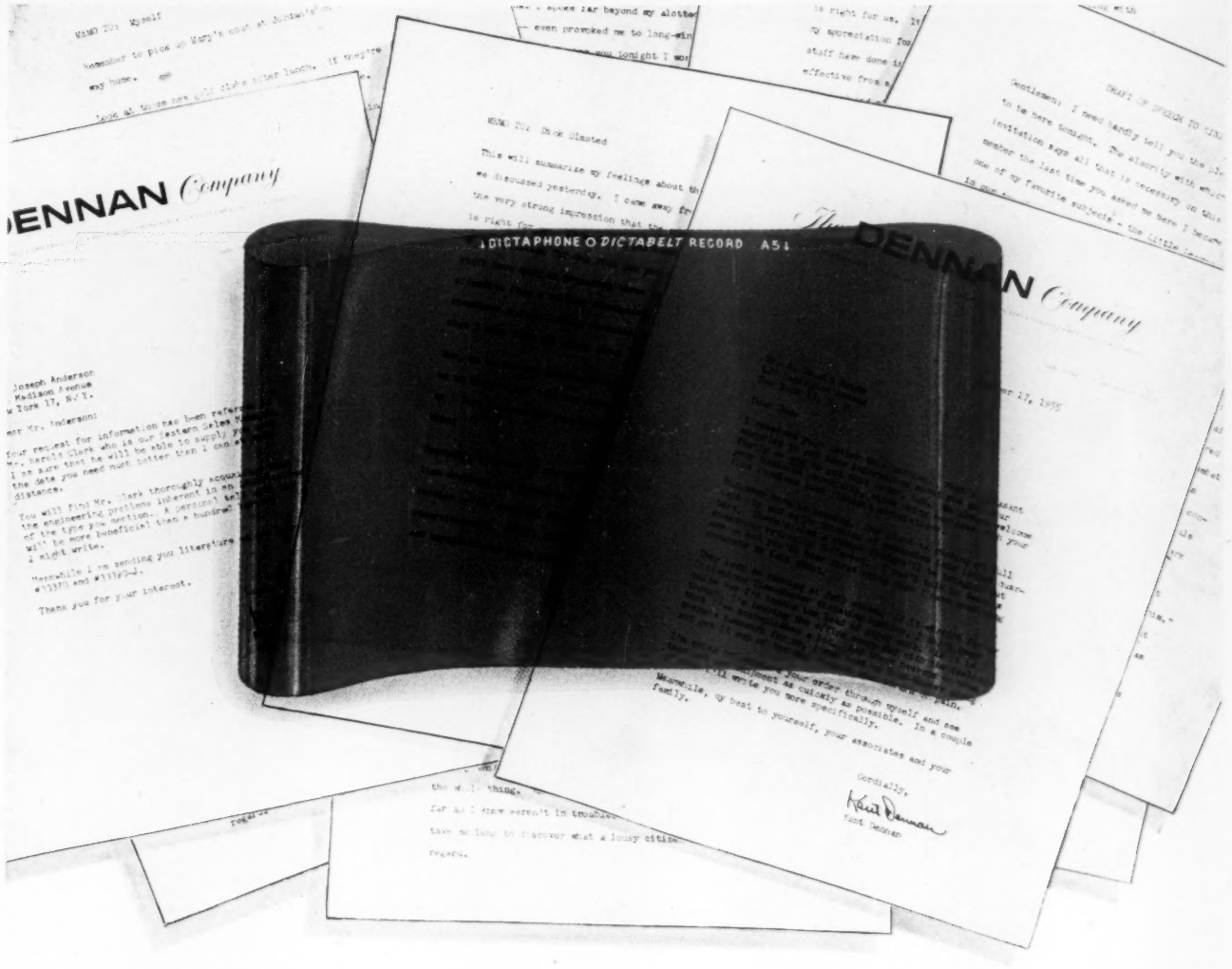
There will be another top-level meeting with the Russians next spring in spite of the failure of the meeting just ended. Both the British and the French, for domestic political reasons, need to go on talking with Communist leaders, whether or not it does any good.

★ ★ ★

Nikita Khrushchev, top man of the Soviet Union, has a purpose when he refers to V. M. Molotov, his Foreign Minister, as just a "clerk." That makes it easier for the wily Molotov, who has bested everybody from Hitler to the statesmen of the present day, to do his stuff.

★ ★ ★

India's Jawaharlal Nehru was putting out feelers for a big loan from the U. S. at the same time that he was entertaining Russia's dictators as his guests. An important diplomat, speaking of Nehru, comments: "He has come a long way out of his dream world into the world of reality where the Soviet now is probing."



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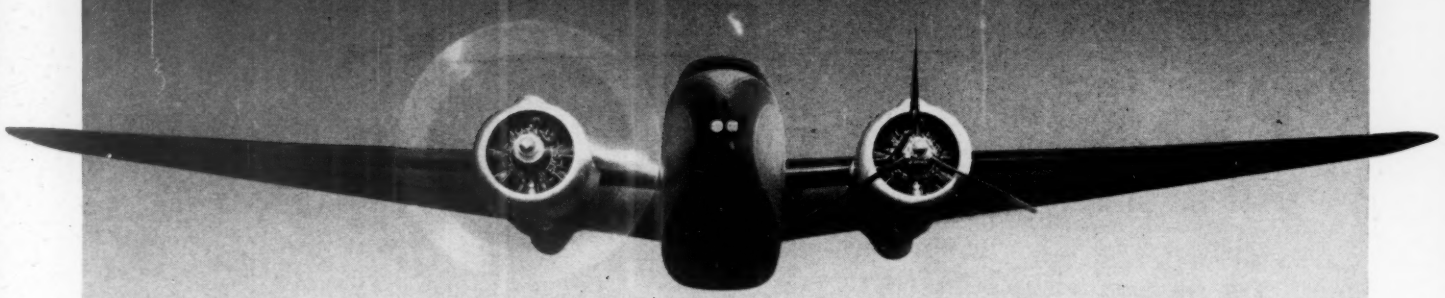

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Tomorrow®

A LOOK AHEAD

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Next year will average out as the best business year in history, but--

Early 1956 is likely to see the peak of the boom. Spring and summer probably will be a time of moderate decline. Second half will see stability.

That's the way it is being planned, and chances are it will work out.

To give you an idea of the probable shape of things to come:

1955 started with total activity--called gross product--at around a 375-billion-dollar level. It is ending at close to a 400-billion level. It will average out at around 388 billion for the year as a whole.

1956 will start at around 400 billions. It may end at around 390 billions, after easing off in the first half. The year probably will average out at about 392 billions--a better year on the whole than 1955.

The difference is that 1955 was a year of rise at a rapid rate almost from beginning to end. The new year is unlikely to be a year of rise in the level of activity. More probably it will be a year of decline in some fields.

Money managers--the Federal Reserve Board--acting as a central bank are determined to bring the present credit inflation under control.

That's a basic fact. Power to control the supply and cost of money rests in the Reserve Board. Four times in 1955 that Board has acted to make borrowing more difficult. Four times in 1928-29 the Board likewise acted to get a check on credit use. Drastic decline finally resulted that time.

This time, restraining actions are gentler, more as warnings.

The purpose: to slow expansion of installment credit; to discourage businessmen from borrowing heavily to build inventories; to keep a check on mortgage credit, as a restraint on commercial as well as residential building.

Auto sales, as a result, are likely to be nearer 7 million in 1956 than 8 million talked about. Auto output is unlikely to go full blast all through next year. TV, appliances, other hard goods sold on credit will feel the effect of less-generous credit terms. Demand will be checked a little.

House starts are more likely to be a little less than the goal of 1.2 million, rather than to exceed that figure.

Price rises, generally, will be restrained. Price trends, however, are likely to continue moderately upward. Wage rates will go on rising, too. But wage inflation, like price inflation, will be checked somewhat.

Boom control, being applied now, is partly political, partly economic.

Economic objective is to restrain the boom, avoid a later bust.

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Political objective is to apply the check soon enough so that, if there is a little setback, it will come early. Then, improvement can be under way before the national voting in the late autumn of 1956.

Let the boom get out of hand, and it might explode late next year.

You can be quite sure that the money managers will take whatever steps they regard as necessary to restrain the boom. If present moves do not turn the trick, others will follow. Odds are that latest tightening will work.

Easing of credit controls now seems unlikely much before mid-1956.

Tax cuts, along with easier credit, will be expected to bring a mild turn upward in business during the second half of next year.

Stock-market recovery reflected: (1) rising dividends, (2) hope that the President will recover fully from his heart attack and will run again.

Stock yield, Dow-Jones industrials, averaged 4.19 per cent at the high on November 16. It had averaged 3.91 per cent at the September peak.

Bond yield, high-grade corporate, averaged 3.08. It had averaged 3.13 per cent at the time stock prices were at their peak in September.

Ratio of stock yields to bond yields stands at 136 per cent. At the September high of stock prices it had been 125. Stocks on a yield basis are cheaper at this time than they were two months ago, before Ike's illness.

Also: Dividend increases now appearing suggest that average yields for 1955 as a whole will be 4.5 per cent at November 16 stock prices. That would suggest a ratio of stock to bond yields of 146 per cent. In past bull markets, yields were much lower than that before a turn came to a bear market.

Outlook for profits and dividends appears to be this:

Profits in 1955, up 27 per cent from 1954. In 1956, a decline of 5 or 6 per cent seems probable from the high level of 1955.

Dividends in 1955 will be up 8 per cent from 1954. In 1956, dividends are likely to rise 5 or 6 per cent in spite of the profit decline.

Rising dividend payments will tend to cushion any pressure on stocks. However, uncertain political and economic trends in 1956 may cause investors to capitalize earnings and dividends less generously than this year.

Stevenson, among Democrats, is far out front at this point.

Harriman appears to have slipped, hurt by age and Tammany connections. Kefauver continues to face high hurdles within the party machinery.

Lausche, Ohio's Governor, has possibilities, but handicaps, too.

It's to be Stevenson again, unless other Democrats show more strength than they're demonstrating in the soundings to date. Stevenson, out front, has a long way to go to August, 1956, however, and may trip up.

Eisenhower's rapid recovery is adding to draft pressures. Ike, back in harness, will be given every encouragement to leave the door open.

If it's not to be Ike, Warren will have to say "No" in even stronger terms than those already used if he is to keep his name out of it.

Politics will warm up steadily from now on. Congress is going to have something to offer to farmers, taxpayers, old people, many other groups.

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NEW

GRAY AUDOGRAPH V

Pays for itself–returns a net profit under new Rent-Purchase plan!

According to approved national averages for dictating and typing speeds, the new Gray Audograph V actually costs less than the savings it effects! Here's the *positive proof*, based on *only 3 letters a day:*

A. Average *executive* at $7,000 a year saves 96c for every 3 letters he dictates into the new Full Control Microphone.

B. Average *secretary* at $60.00 a week saves 75c for every 3 letters she transcribes, aided by Gray's True Fidelity playback.

C. *Combined* monthly saving is $1.71 x 20 days — or $34.40 . . . *more than double the monthly payment!*

. That makes the Gray Audograph V more than self-liquidating . . . makes it a "bonus" proposition right from the start.

And beyond the savings in time and money, you gain *error-free* transcription, the convenience of Audograph dictation at home and on trips, the extra benefits of being able to record telephone calls, conferences and presentations.

Whether you choose to rent or buy, there is no deposit or down payment under Gray's new rent-purchase plans. A *combination* Audograph V, for both executive and secretary, costs only $15.45 a month including accessories and guaranteed maintenance. *Separate* dictating and transcribing machines cost even less—as do the desk phones for Gray's modern *network* dictation.

To speed your work, to save time and effort—*at a profit*—clip and mail the coupon today!

GRAY

Individual, Network and PBX Dictation Systems

The Gray Manufacturing Company
521 Fifth Avenue, New York 17, N. Y.

Send me illustrated booklet on the new Gray Audograph V — with details on your new Rent-Purchase Plans.

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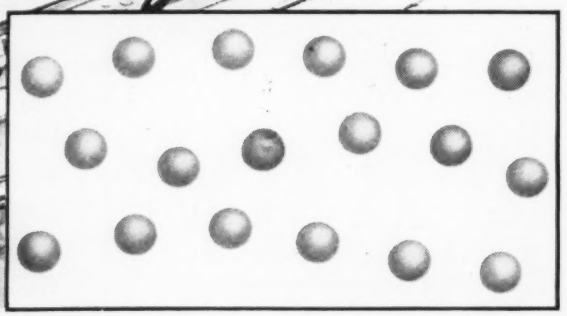
A-11

The adhesive-making



Unvulcanized rubber is essentially a plastic substance. Since its molecules are not tightly linked together, it will permanently deform when stretched. An adhesive made from uncured rubber cannot produce a high-strength bond.

secret that isn't in any formula

There's nothing in the formula for an industrial adhesive that tells you anything about the subtle art of putting the ingredients together. Nevertheless, this secret often is the most important single factor in producing an outstanding adhesive. In fact, it's so important that in many cases the formula could be given to a competitor . . . and he might never be able to duplicate the compound.

There are many facets to the art of making adhesives. One of them is as simple and basic as the size of the batch you mix. An adhesive made in an experimental laboratory usually has different properties when it's produced on a large scale. Achieving laboratory quality in production quantities takes skill not found in any formula.

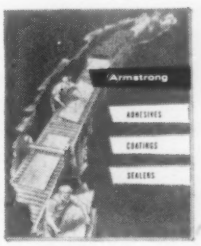
Another thing an adhesive formula doesn't tell you is the order in which ingredients should be mixed. For example, Armstrong chemists know that certain adhesives can be made far stronger by doing just two things: by combining the raw materials in a particular order; and by a delicate adjustment in their proportion.

Advanced processing techniques can also be used to extend the natural limits of some raw materials. As an illustration of this, Armstrong research chemists were recently given the problem of building more "muscle" into an already successful rubber-base adhesive.

The immediate answer seemed to be vulcanization, since it's well known that this process strengthens rubber. There was a catch here, though. Fully vulcanized rubber can't be dissolved in the solvents normally used in making adhesives. A partially vulcanized rubber could be dissolved all right, but vulcanization is a process that's hard to stop at exactly the same point every time. It would be practically impossible, therefore, to keep the quality of the adhesive uniform from batch to batch.

Armstrong chemists solved the problem by combining two rubbers that are cured with different agents. Then they treated the blend so that only one rubber cured—and its strength reinforced the uncured rubber. The result: an adhesive that was plastic and workable —and had far greater strength than its predecessor.

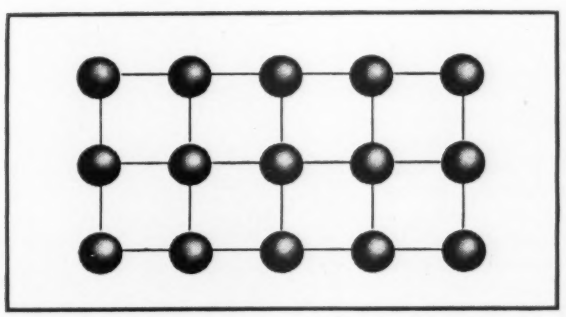
Making new and better adhesives is a year-round job at Armstrong. Because of this, we've been able to help a lot of fabricators find better ways to join things. For helpful information on how you can use adhesives, send for our new 36-page illustrated manual, "Adhesives, Coatings and Sealers." It's free to industrial users. Write on your letterhead to Armstrong Cork Company, Industrial Division, 8211 Dunlap Road, Lancaster, Penna.



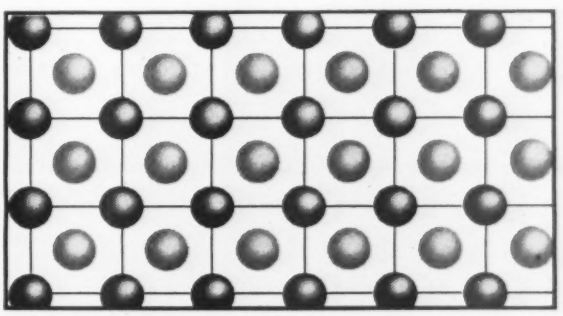
Armstrong Industrial Products

. . . USED WHEREVER PERFORMANCE COUNTS

ADHESIVES
CORK COMPOSITION
CORK-AND-RUBBER
FELT PAPERS
FRICTION MATERIALS



Fully cured rubber, on the other hand, is elastic. Because of its tightly linked molecules, it will return to its original shape after being stretched. But a fully cured rubber can't be dissolved in the solvents used to make an adhesive.



A combination of these cured and uncured rubbers does the trick. The particles of the cured rubber lend strength and elasticity to the uncured rubber. These blended rubbers can be dissolved to make a high-strength adhesive

PEOPLE ★ ★ ★

OF THE WEEK

› GOVERNOR OF KANSAS is a youthful Republican with a record of rapid rise as a professional politician and a reputation for jumping into fights with other Republicans. The Governor, **Frederick L. Hall,** has feuded with top Republicans in Kansas. His latest venture put him on the national political scene.

Governor Hall ticked off the party in a speech to the National Republican Club in New York City. He said the party is divided, in trouble and faces a "dismal situation" if President Eisenhower does not run for re-election in 1956. Mr. Hall accused some Republicans of "alienating the support of millions of Americans, particularly those of labor and agriculture."

Born in Dodge City, Kans., only 39 years ago, Mr. Hall began "politicking" at school, headed the Young Republican Club at the University of Southern California in 1938. Back in Kansas after a wartime stint in Washington with the War Production Board, Mr Hall won election as county attorney, kept working in the Young Republican organization.

In 1950, Mr. Hall won the first of two 2-year terms as Lieutenant Governor. Last year he fought with powerful men in the State party organization—the retiring Governor, Edward F. Arn, and the National Committeeman, Harry Darby—won the nomination despite their opposition, coasted to the Governorship. One of his early acts as Governor was to veto a "right to work" law. This pleased labor unions because the law would have banned "union shop" contracts; displeased some businessmen.

› SENATOR ALLEN J. ELLENDER is winding up a country-wide survey of farmers' problems and complaints.

As chairman of the Senate Agriculture Committee, the senior Senator from Louisiana has spent many weeks getting what he calls "the dirt farmer's story" on the record, in Committee hearings across the nation. His over-all impression: The farm situation is worse than most people realize.

What the Senate Committee recommends may be the basis for important changes in federal farm programs in 1956. Senator Ellender, a Democrat, believes that farmers need a combination of flexible price supports, espoused by the Eisenhower Administration, and rigid price supports at 90 per cent.

The Senator would prescribe 90 per cent supports for high-quality farm products; a scale of support prices sliding downward for those of low quality.

In addition, Mr Ellender favors the "soil bank" idea to take land out of production, slow farm output and boost farmers' incomes.

Studying farm ills is nothing new for Senator Ellender. He was a member of the Senate Committee that in 1937 conducted a grass-roots survey, similar to the present study. Now, 18 years and many farm programs later, the Senator finds that farmers still need help.

"Getting the farm problem ironed out is the most important job facing Congress next year," Senator Ellender declares. "If we don't stop the downward drift of the farm segment of our economy—watch out."

› PATTERNMAKER for the Southern States that want to keep separate schools for white and Negro children may be Virginia's Governor, **Thomas B. Stanley.** The Governor is summoning a special session of the Virginia Legislature to pass upon suggestions of a commission that for more than a year has been studying ways to retain separate schools.

Governor Stanley appointed the commission only a few days after the U. S. Supreme Court ruled out existing school segregation, in May, 1954. He terms the commission's final recommendations "a splendid report." One of the report's main ideas is to pay expenses of children who attend private schools.

In private life, Governor Stanley is a successful businessman who made a fortune in furniture manufacturing.

In politics, the Governor came up through the ranks, serving first in the State Legislature, then as a member of Congress for seven years, finally becoming his State's chief executive.

In background, Mr. Stanley is the son of a Confederate veteran. He has a deep

(Continued on page 16)

TO GATHER CAMPAIGN STRENGTH: ADLAI BRINGS IN A "PRO"

–USN&WR Photo

STEPHEN A. MITCHELL

› VETERAN ORGANIZER in Democratic politics, with the job of managing Adlai E. Stevenson to another presidential nomination, is **James A. Finnegan.**

Choice of an experienced politician is a switch from 1952. Then Mr. Stevenson's election campaign was put in the hands of comparative amateurs, led by Stephen A. Mitchell as Democratic National Chairman.

Mr. Finnegan, a Philadelphian, managed Democrats to five straight victories in Philadelphia from 1948 to 1952, last year helped his party win the Pennsylvania Governorship. In December, 1954, he was a candidate for Democratic National Chairman, was defeated by Paul M. Butler.

–Wide World

JAMES A. FINNEGAN

which do you want?

Money or the moon?

It was reaching for the moon which resulted in the development at Martin of one of the most dynamic engineering team operations in the whole new world of flight systems development.

Most of the people on that team are young and moving ahead fast. Do *you* know what's happening at Martin... and what tomorrow may hold for you here in the fields of aircraft, missiles, rocketry, nuclear power and space vehicle development?

MARTIN
BALTIMORE

CONTINUED

sense of the South's traditions—and the firm intention of using all legal means available to keep white and Negro children apart in Virginia schools.

› **A COMMUNIST** of scholarly type last week got a lesson in the behavior of Communists, secret-police type. The student in spy techniques is **Jirí Hájek,** Czechoslovak Ambassador in London.

Ambassador Hájek found a microphone hidden in his office. Straightaway he complained vigorously to the British Foreign Office, apparently unaware that there are security men on his own staff. British detectives tracked down the microphone, informed the Ambassador it had been bought by one of his own men.

Diplomats in London are laughing at Mr. Hájek's adventure in the world of intrigue. The Ambassador just didn't know about such things. His real job is that of a professor of political science at Charles University in Prague, where he taught until named Ambassador a little more than six months ago. This is his first post abroad—and it doesn't seem much like lecturing in a classroom.

—United Press

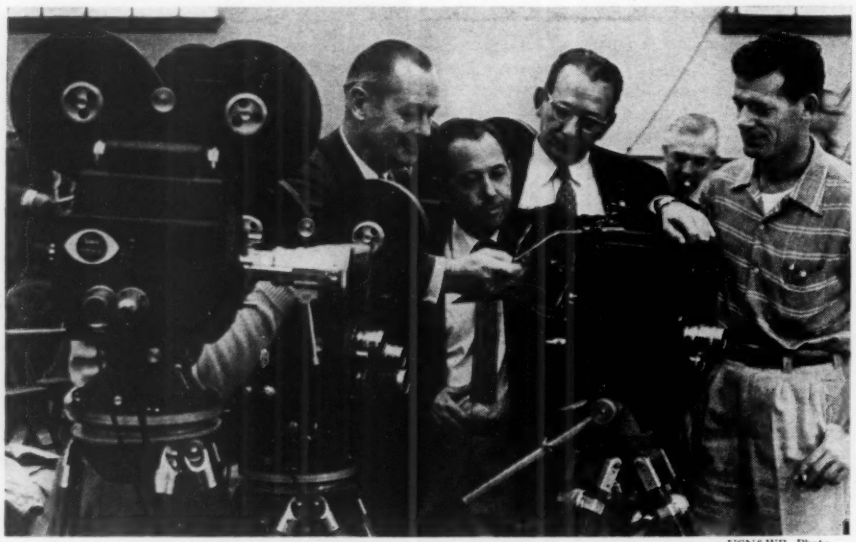
MAJ. GEN. PEDRO ARAMBURU (SPEAKING)
The opposition was smoldering

› **ROBERT MONTGOMERY,** an actor who often has had his name in lights on movie and theater marquees, is busy keeping President Eisenhower on countless television screens while the President recuperates at Gettysburg.

Producer of his own TV show for several years, Mr. Montgomery is regarded as an expert in the video medium, as he was in moving pictures. He has been adviser on television broadcasts from the time Mr. Eisenhower entered the White House. Mr. Montgomery has a desk in the White House, often spends a day or two at work there.

Now Mr. Montgomery is shifting his activity to the little town in Pennsylvania. He needed two things: power supplies for lights and cameras, and a dignified setting. He found them in an office at Gettysburg College, got permission to use the office, hung sound-absorbing curtains along the wall.

First programs are to be brief TV films of the President, such as appeals for charities. The President's Press Secretary, James C. Hagerty, says it is possible that Mr. Eisenhower may address the nation before leaving Gettysburg.



—USN&WR Photo

ROBERT MONTGOMERY (LEFT) WITH TV CAMERAS
He's setting the stage for the President

› **NEW PRESIDENT** of Argentina—the third in 52 days—siezed power in a bloodless "palace revolution." The newcomer was **Maj. Gen. Pedro Aramburu.** He displaced Maj. Gen. Eduardo Lonardi, leader of the revolt that ousted Juan Perón last September.

General Aramburu, 52, is a career soldier without previous experience in civil administration. By leading the four-man military junta to power, he took on enough problems to keep a dozen adept administrators busy.

Labor unrest quickly produced an abortive general strike. Many members of the leading labor organization, the CGT—ardent Peronists—were bent on making trouble. Other workers were disillusioned about Perón but remained suspicious of the new regime, fearing an attack on such labor laws as the 40-hour work week.

At the same time there was smoldering opposition from forces that backed General Lonardi, including a sizable group in the Army, plus the extreme nationalists—called "neofascists" by their opponents in liberal and middle-of-the-road political parties.

General Aramburu was described as a moderate. Until his coup he had been unknown outside the Army. Democratic Argentines were hoping that, although he lacked civilian experience, he would measure up to the job he faced.

Required reading for worried Americans

IF YOU, too, have been worrying about a rumor that your federal government is in business and industry... in direct competition with its own citizens... *it's no rumor!*

It's a fact! And there's a wealth of *factual* evidence to that effect in the thorough findings contained in the *non-political* Hoover Report.

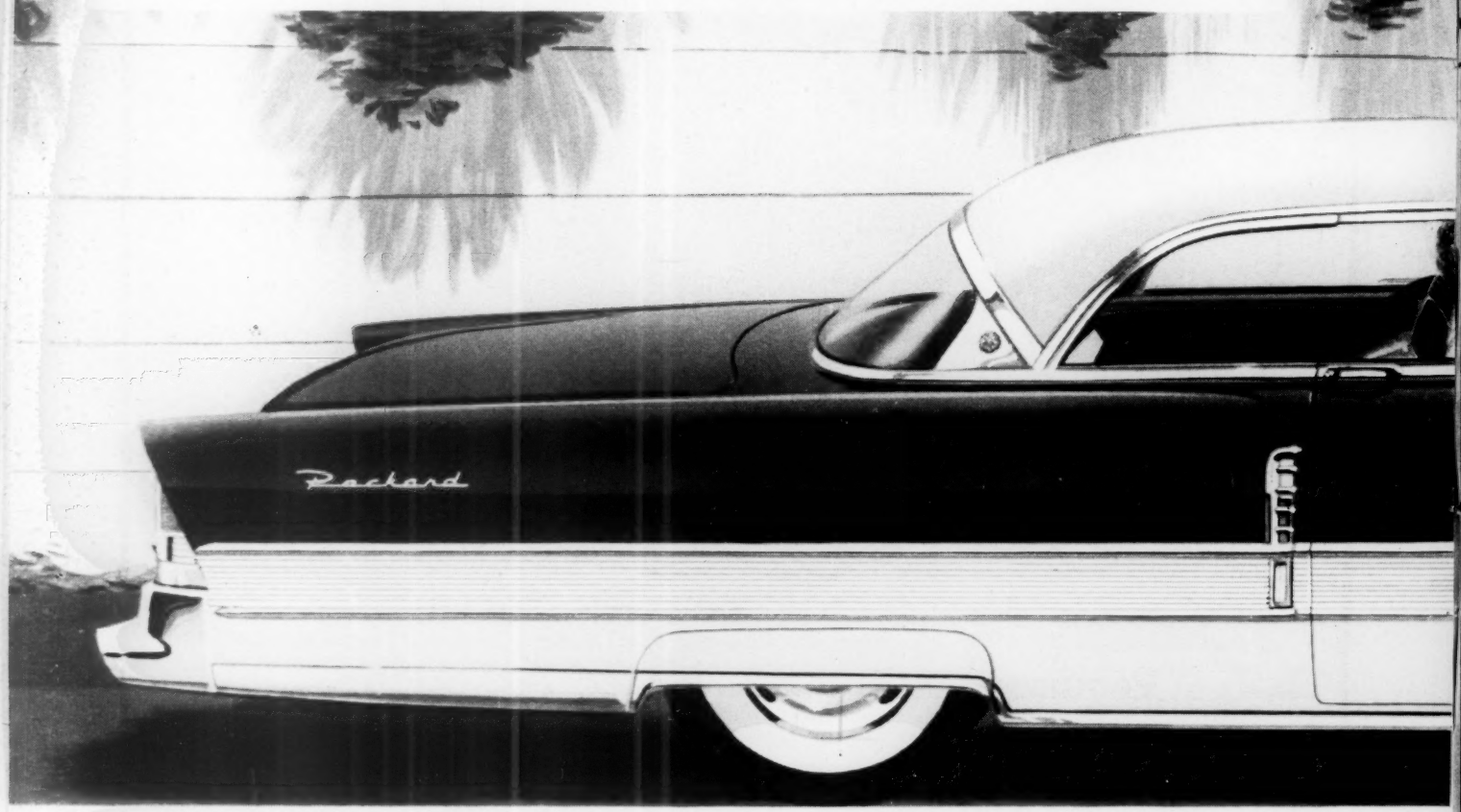
This report is a study made by several hundred leading American businessmen over many months. It has been widely hailed by the press, by educators, by civic leaders, by legislators, and by countless private citizens. They see the Hoover Report's recommendations as a blueprint for getting government out of the private businesses it got into during emergencies *long since gone!* (Naturally, there are selfish-interest groups, unscrupulous lobbyists and radical left-wingers who are *fighting* the Hoover Report).

Not only are the government's business activities unfair and dangerous competition with America's Free Enterprise System . . . they are often run at heavy dollar losses. *And those losses come right out of the pockets of the long-suffering Taxpayers* . . . both you and us alike!

FREE! ***Write us for a copy of the Hoover Report booklet on Government in Business.***

BASIC REFRACTORIES INCORPORATED CLEVELAND 15 OHIO

New for 1956... from the creative engineering that pioneered famous Torsion-Level Ride comes America's Easiest-Handling and Safest-Riding Car



The greatest PAC

TODAY, a new luxury automobile makes its bow. The New Packard for 1956, greatest of them all, brings you advanced Torsion-Level Ride, a new 310 horsepower engine, Electronic Push-Button Control, distinguished styling, and the superior craftsmanship of America's Finest Car.

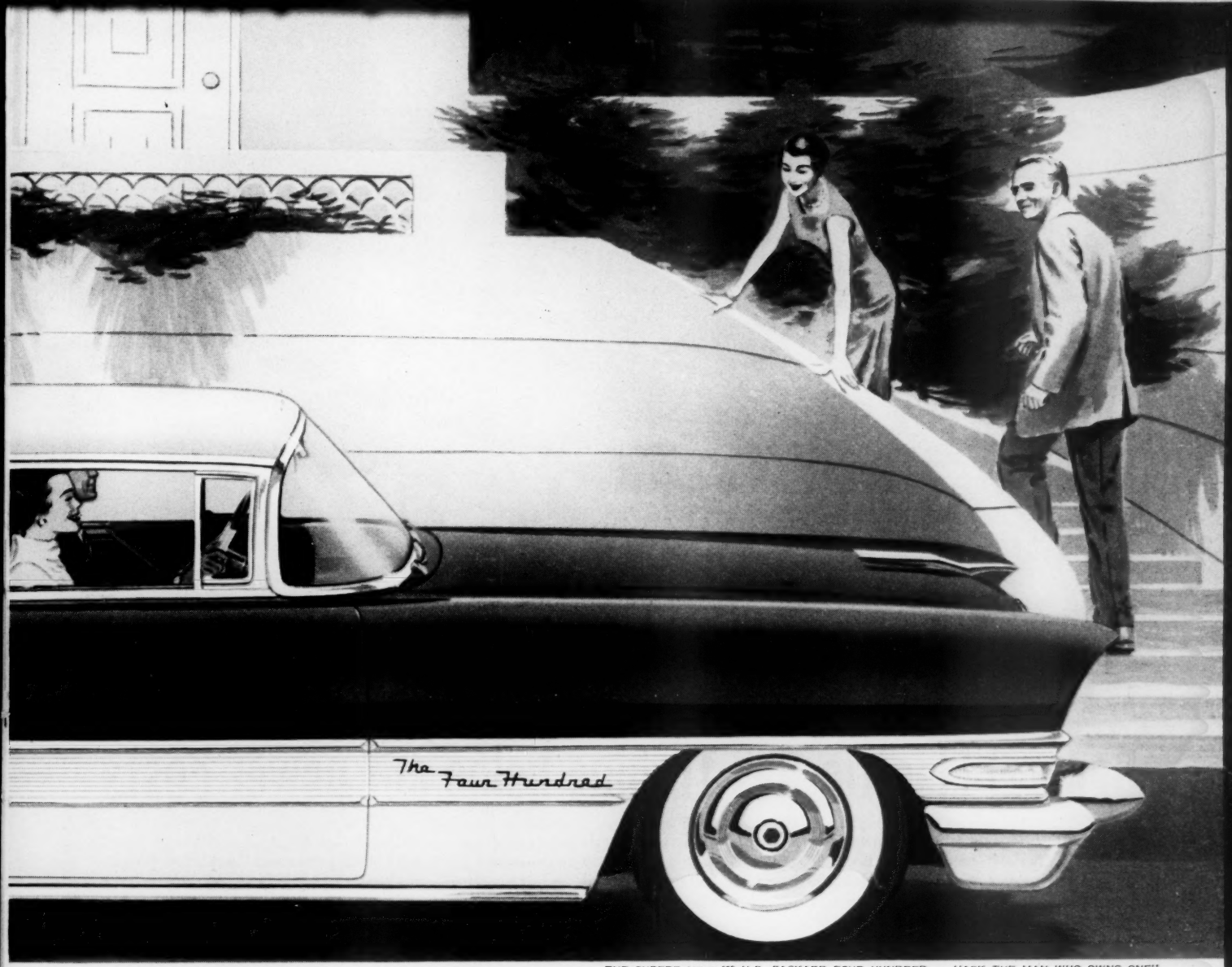
When Packard pioneered Torsion-Level Suspension, *eliminating* coil and leaf springs, engineers called it the greatest automotive advancement of our time. It has since won the enthusiastic acclaim of thousands of 1955 Packard owners. Now further advanced, it provides still more comfort, handling ease and safety . . . riding qualities your family deserves.

Easiest-Handling . . . Safest-Riding

Here is a car that automatically equalizes all weight of passengers and load for better, safer balance . . . for incredibly smoother, safer ride wherever you drive. Here is a new feeling of driving control and true relaxation. Here, too, is a proved feature that gives your Packard premium resale value.

Biggest, Most Powerful Engine

The 310 horsepower Packard engine is America's most powerful V-8! Its 10 to 1 compression ratio and 374 cubic inch displacement are highest in the industry! *All Packard*



THE SUPERB NEW 290 H.P. PACKARD FOUR HUNDRED . . . "ASK THE MAN WHO OWNS ONE"

KARD of them all

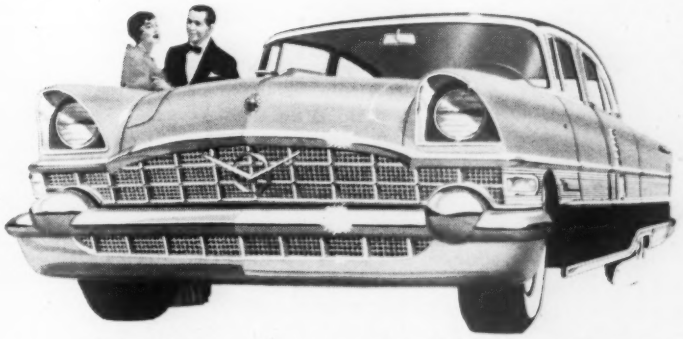
engines deliver more driving force to the rear wheels than those of any other car, yet produce eager, responsive power with so little effort they use gasoline more efficiently than those of many smaller cars. Now, too, you can choose a new Packard-developed rear axle ratio that gives overdrive economy with the Packard automatic transmission.

Electronic Push-Button Control

In addition, Packard Ultramatic, the most alert of automatic transmissions, is available with the ultimate in automatic motoring, *Electronic* Push-Button Control. Lightning getaway or smooth cruising glide is at your fingertips. Touch a button . . . your Packard does the rest—smoothly, safely, electronically.

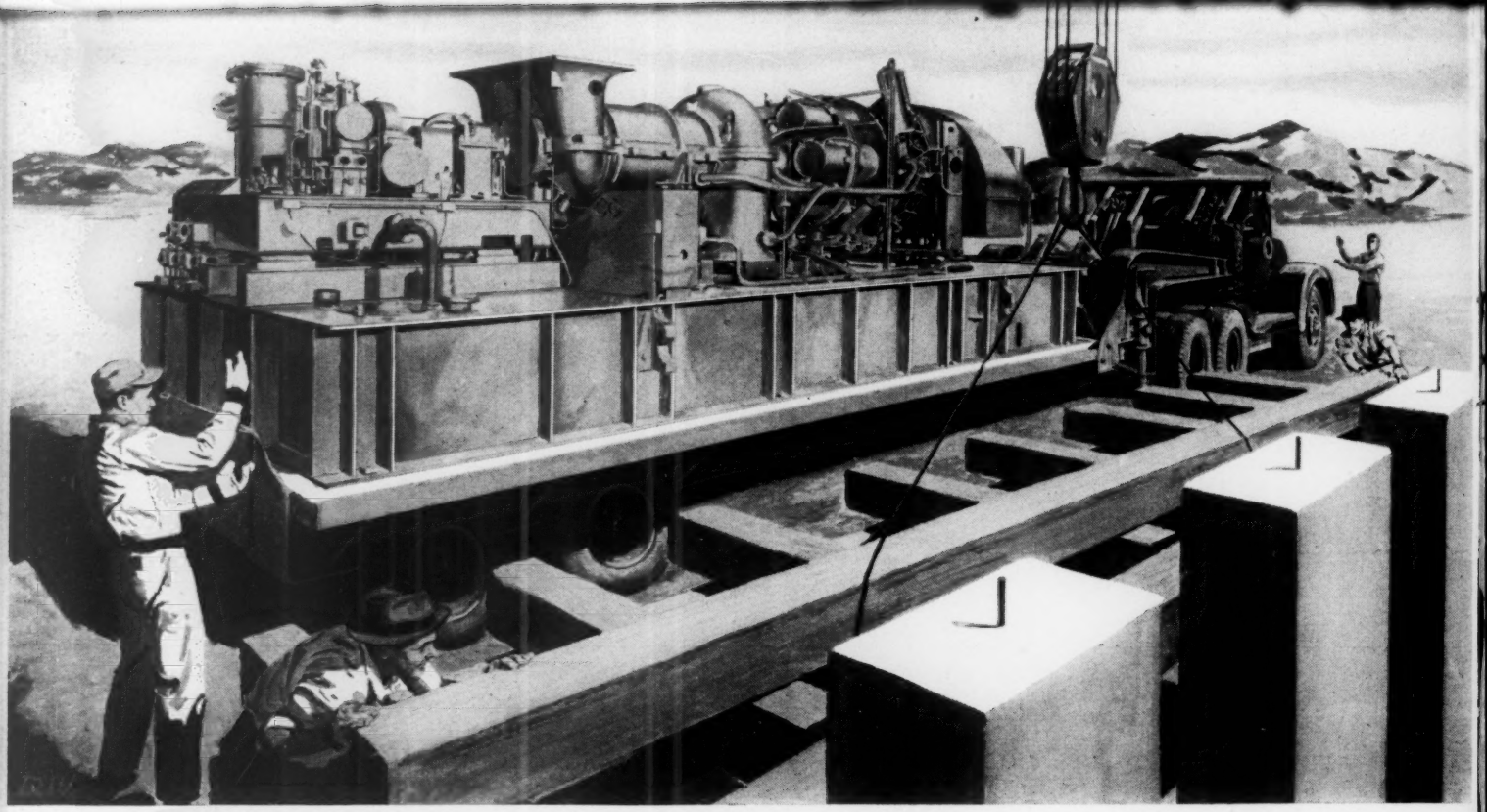
Your Packard dealer invites you to drive the new Packard. When you do, you will agree this is *the greatest Packard of them all* . . . America's easiest-handling, safest-riding car.

PACKARD DIVISION • Studebaker-Packard Corporation



Where Pride of Workmanship Still Comes First . . .

From that impressive grille to the sweeping lines of the excitingly fashioned rear deck . . . inside and out . . . here is distinguished styling that says "Packard" at a glance.



By keeping fixed charges low . . .

General Electric Gas Turbine helps cut power costs

Simple foundations . . . inexpensive housing . . . fast, easy installation of your prime mover and auxiliaries mean low fixed charges for power. These advantages offered by the General Electric Gas Turbine are the results of the unit's basic simplicity. They add up to real economy for you.

Consider the savings this simplicity makes possible; factor in the other advantages of the gas turbine... its versatility, low-cost operation and minimum maintenance . . . and you can see why the G-E Gas Turbine is today's most important new prime mover.

Here's why you get this end-economy: The G-E Gas Turbine is basically a simple rotating device. Available in ratings as high as 30,400 hp, it is a self-sufficient power plant, requiring only a fuel supply, minimum services and the most basic housing before it can start operating.

For easier installation, in ratings up to 12,000 hp, its few auxiliaries are located in a self-contained base; and the whole machine is delivered as a single unit, ready to be placed on its foundations. And that's another place you save money . . . the foundation. Practically vibrationless compared to reciprocating engines, the G-E Turbine requires little in the way of foundation – concrete-pier construction will generally do. Furthermore, the building to house it can be relatively small and therefore inexpensive.

What about operating costs? Again because of its simplicity, the G-E Gas Turbine is extremely inexpensive to run. With so few parts subject to wear, maintenance is ordinarily just a matter of routine check up, costing – according to one user – an average of only 0.15 mills per hp/hr. And it requires fewer operating personnel than other power-makers.

Why not check into the benefits a G-E Gas Turbine might bring to your operation? Your nearest G-E Sales Office will be happy to explore the possibilities with your engineers. Or write for Bulletin GEA-5316, General Electric Company, Section 261-4A, Schenectady 5, New York.

THE GENERAL ELECTRIC GAS TURBINE OFFERS INDUSTRY THESE ADVANTAGES:

Self-contained power plant – needs only fuel and minimum services to operate.

Versatility – can provide three types of energy: shaft power, heated exhaust gas, compressed air.

Low Fixed Charges – simplicity of design means lower installed cost.

Low Operating Cost – runs virtually unattended; few wearing parts mean low maintenance cost.

Experience – G-E Gas Turbines have been in use since 1949. Now, over 100 units have accumulated over 100 turbine operating years.

Quick Installation – Units in most ratings are shipped on integral base requiring simple foundation and small area.

Progress Is Our Most Important Product

GENERAL ELECTRIC

MORE BILLIONS FOR BUSINESS EXPANSION

Industry Getting Set to Serve 200 Million Americans

For a measure of what businessmen see ahead, glance at industry's vast spending for new plants, new machines, new equipment.

In 1955 alone, these outlays will add up to a whopping 28 billion dollars.

Next year, business will spend even more—close to 30 billions, an all-time high.

Auto companies foresee a demand for 10 million cars a year. Steel companies count on bigger markets, plan to step up capacity.

The building industry looks for an upsurge in construction in years to come.

All through industry, the story is the same—a growing confidence in the future.

American business plans to pour a record amount of money into expansion during 1956. This spending will help underwrite a high level of activity for the year.

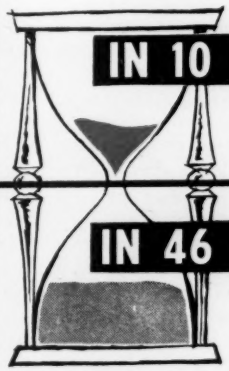
The Bell Telephone System alone intends to spend 2 billion dollars on improvements in 1956. One oil company plans to invest 1.2 billion. There will be huge outlays for expansion in steel, in chemicals, in automobiles and in utilities.

In the year 1956, if industry's present plans are carried out, close to 30 billion dollars—maybe more than that—will go into new plants and equipment. Never in history has business spent so freely for expansion, or reflected greater confidence in the outlook for growth in the American economy. On all sides, the judgment of those who manage and who finance business is that the future holds more promise than any period of the past.

These record-breaking plans for spending come on top of 10 years of high and usually rising investment by business. In the 10 years from 1946 through 1955, investment in new plants and equipment will total 232.6 billions. In all the years from 1900 to 1946 this investment added up only to 218.8 billions.

The recent figures, however, reflect the price inflation that has occurred since World War II. Businessmen are investing large dollar sums in plants and tools, but they are getting a lot less for their dollars. If you adjust these figures for price changes, you find them less startling. Using 1947 prices as a base, you find that investment in plants and

HERE'S HOW BUSINESS SPENDING HAS RISEN



IN 10 YEARS since second World War, 1946-55, U.S. business has invested in new plants and equipment

$232.6 bil.

IN 46 YEARS before 1946, investment in new plants and equipment totaled

$218.8 bil.

© 1955, By U.S. News Pub. Corp.

equipment from 1900 through 1945 come to 406.2 billion dollars, while investment since 1945 drops to 198.5 billion.

Nevertheless, confidence does show up in the adjusted figures. In the years 1930 through 1940, for example, the average annual outlay for plants and equipment amounted to 8.2 billions in 1947 dollars. Since 1946, that average has increased to 19.8 billions a year—more than twice as much.

A reason for this confidence is cited by Benjamin F. Fairless, chairman of the executive advisory committee of United States Steel Corporation. In a recent speech at Kansas State College, Mr. Fairless contrasted the fears of a post-Korean depression—which prompted some people to advocate another spending program by the Government—with what actually happened. He said:

"But instead of following the outworn policy—which has never yet produced peacetime prosperity—the Government began systematically to create the kind of climate that would stimulate the growth of the whole economy. Instead of using 15 billions in federal funds, it encouraged American industry to spend nearly twice that sum, each year, on capital improvements and new facilities. Instead of providing 3 million temporary jobs on relief projects, it actually got some 4 million new and permanent jobs which were created entirely by private enterprise, and instead of the disastrous depression which had been so widely predicted, the American economy has achieved a higher level of prosperity in this present year of peace than it ever reached in war."

Looking ahead, businessmen now see the need to prepare for a rising standard of living for a constantly growing population. They expect to be serving almost 200 million people 10 years from now, compared with the present population of 166.5 million.

The steel industry sees the time, not so far away, when the country will need 150 million tons of ingot capacity, against 126 million tons now. Automobile companies are planning on demand for 10 million cars a year. Builders count on an upsurge in home construction in the 1960s. The aluminum industry sees constantly growing demand for its products over the years. Oil producers face a steady rise in output as more cars take to the roads and as the use of natural gas expands. The electric-power industry has long-range plans to meet a very large increase in demand.

All through industry, it is the same story—plans must be drawn to serve the demands of a nation faced with continued rapid growth.

The chart on page 25 gives samples of planned expansion by some of the country's major companies. But investment for expansion does not end with the big firms. Hundreds of smaller organizations are expanding, too. There is Marquette Cement with a 16-million-dollar program; Keystone Steel & Wire Company with 10 million; U. S. Potash Company with 3 million. Thompson Products, Inc., after just opening a new plant costing 5.5 million, announced plans to add 130,000 square feet of floor space.

This planning and investment is based upon private enterprise. It is private industry, using private funds, that is doing the pump priming in this period. The scale of what industry is doing is indicated in the accompanying charts. It far surpasses the pump priming of Government in New Deal days and its effect on business activity is proving far more potent.

Industry, relying on private funds, is showing itself able to do what Government, using public funds, proved unable to do in the New Deal period. It is providing a level of general business activity that is giving virtually full employment, with rising levels of income.

The funds that industry is investing on such a lavish scale come mainly from four sources. They are drawn from profits not paid out to stockholders—earnings retained in the business. They come from reserves for depreciation on plant and equipment already in place. They come in part from bank loans and loans from other credit institutions. Finally, they come from selling stocks and bonds to the public.

These sources this year are supplying industry with nearly 28 billion dollars that is going to pay for new facilities. That's close to the previous record of 1953, when 28.3 billion was invested in new plants and equipment. Next year an outlay of at least 29.7 billion is to be expected, and it may run above 30 billion.

This confidence in America's future will in itself provide a strong support for general business activity. It will cushion the effects of any decline that may develop in people's buying of automobiles and home appliances, in the building of new homes or in less inventory building by business firms.

A high level of business investment is essential for the growth of the country and to rising standards of living. The amount of production that workers can accomplish in one hour of labor stems largely from the investment that goes into replacing old and obsolete equipment and into new plants and machinery. And the fact that workers can produce more in an hour explains in large part the increase in living standards, that has been going on.

The difference in the climate of business is pointed up sharply when conditions today are compared with those of the New Deal years. The depression that began in 1929 sent business investment plummeting from 9.2 billions in 1929 to 2.1 billions in 1933, the first year of the New Deal. The Government then began to run deficits as the chart on pages 22 and 23 shows, in an effort to stimulate

(Continued on page 24)

THE STORY OF 3 BUSINESS ERAS

1 IN THE PROSPEROUS 1920s

"Climate" for business was considered good.

Government started paying off debt of World War I. Income of Government exceeded outgo. No "pump priming."

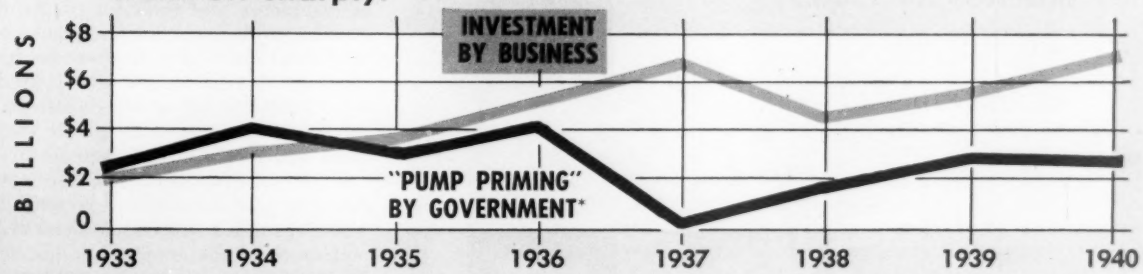
Industry expanded. Business investment rose steadily to $9.2 billion in 1929.

2 IN THE NEW DEAL YEARS

"Climate" for business was considered unfavorable.

Government, trying to "prime the pump," overspent its income.

Business held back. Investment in new plants and equipment went off sharply.

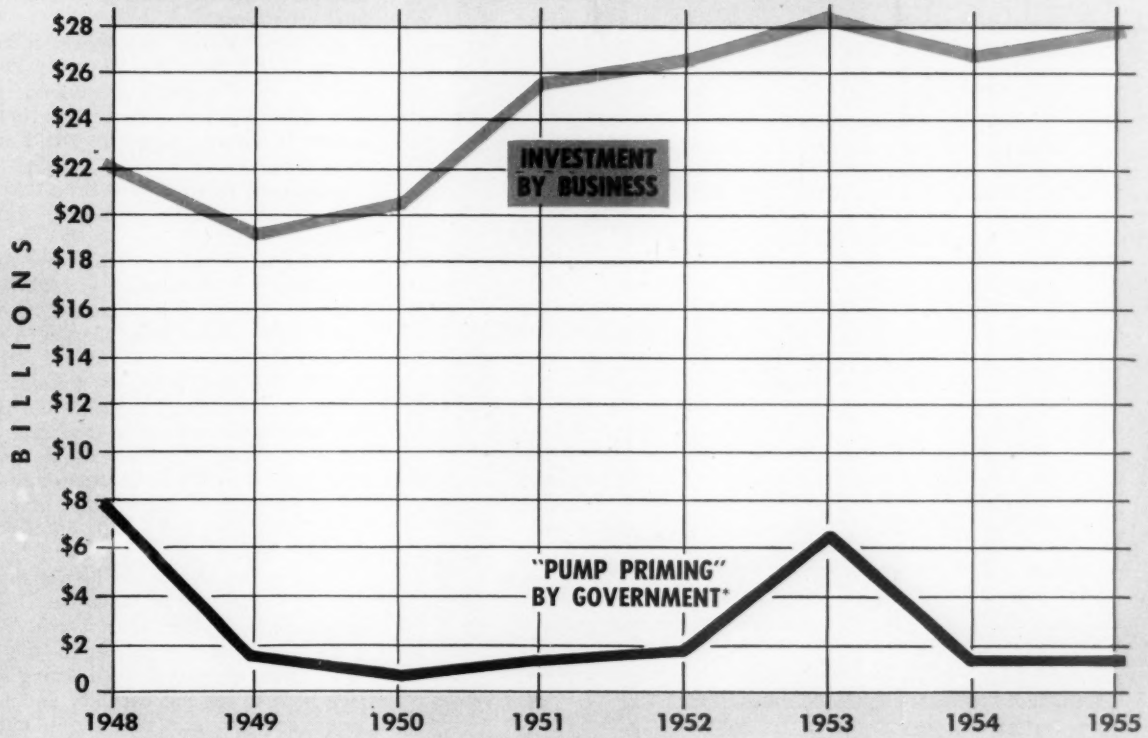


3 IN THE POSTWAR YEARS

"Climate" for business has improved.

Government, in late years, has been trying to balance the budget, not to "prime the pump" through deficit spending.

Business has taken on new life. Business has been investing in new plants and equipment on a scale never dreamed of before. This has been one of the mainstays of the boom.



* Cash deficit in federal budget.

Source: Business-investment data from Commerce Dept., Government-spending data from Treasury Dept., except 1955, which is partly estimated.

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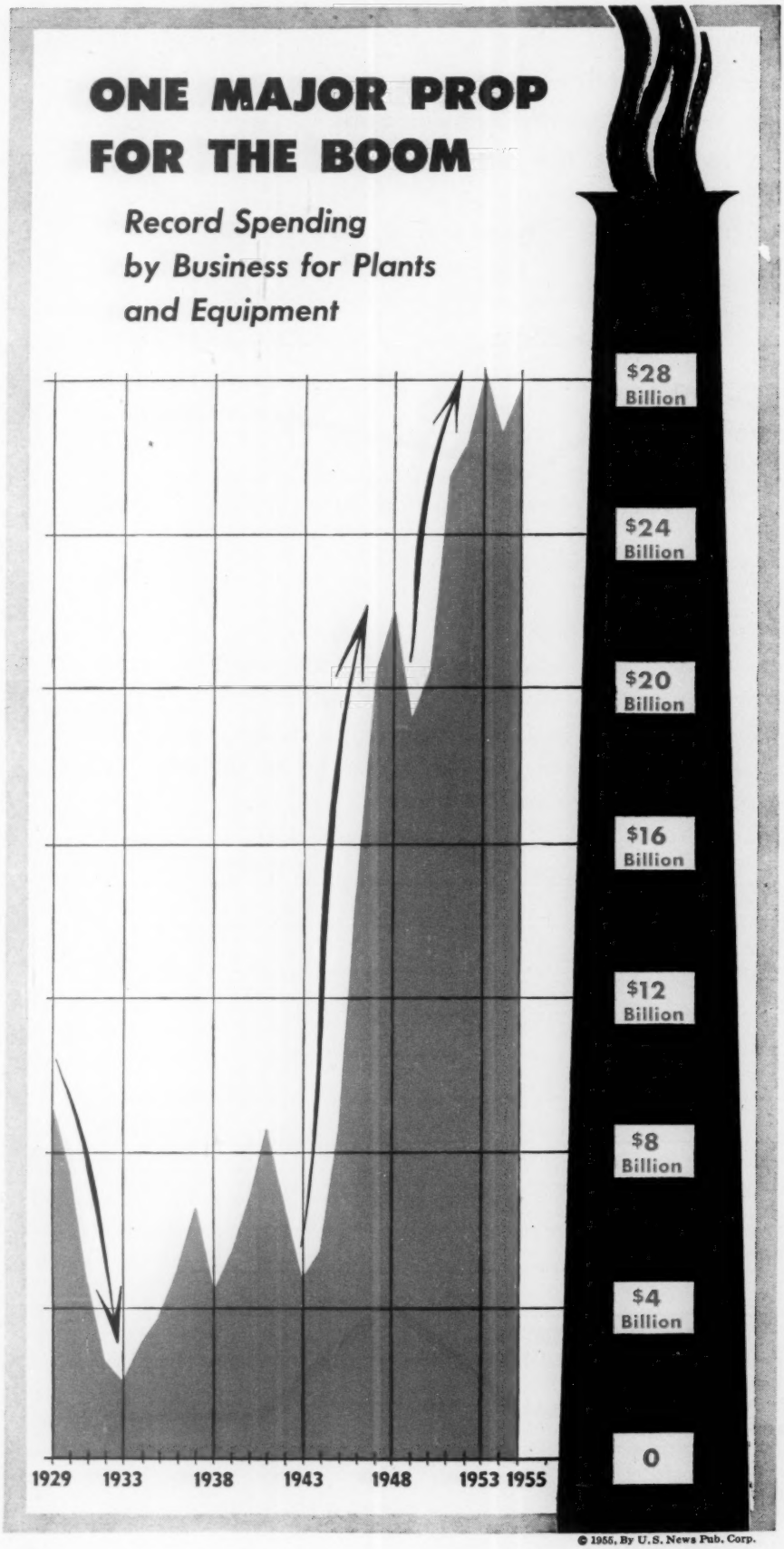

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business activity. Those were the days of make-work projects and public-works programs. But, as the chart also shows, business investment in plants and equipment never did regain the 1929 volume. It took a war—and heavy inflationary spending by the Government—to bring recovery in business activity.

The biggest drag in the New Deal years was found in employment for construction and for durable manufacturing—the kind of manufacturing that produces machinery and tools for plants, automobiles and household appliances for individual consumers. In these fields, employment stayed below the 1929 level from 1932 through 1940. In other areas, there was an increase in private employment and a rather large increase in Government employment. But the country remained in a rather depressed state, with 8.1 million still unemployed in 1940 and much of the country's industrial capacity idle.

This also was a period when Government was more or less antagonistic toward business. Heavy taxes were imposed on individuals in the upper-income groups—people who supply an important part of investment funds. Taxes on business also were raised and Government regulation of business operations was increased. The sharp drop in business activity in 1937-38 is linked with the undistributed-profits tax of 1936—a tax that put a penalty on any firm that withheld earnings to plow back into expansion.

A new policy has been followed since World War II, however. Pump priming by Government stopped. Deficits, when they occurred, were held to modest amounts except for the Korean-war year of 1953. Also, since 1953, Government policies have been designed to encourage the expansion of private business.

There is no more talk of Government competition with business in fields where private activity predominates. Government policies have been shaped to reach a budget balance and to prevent inflation. Business firms are permitted to adopt a more liberal depreciation policy on new investments. A step has been taken to reduce somewhat the double tax that is levied on business earnings—once when corporations report them and again when they are paid out in dividends to stockholders.

This policy seems to be paying off. Private business firms have been adding to plants year after year. On a volume basis, investment is half again the 1929 rate. There appears to be a strong incentive both to expand capacity and to improve operations. A new term—"automation"—has entered the language. Business managers are insisting that, to meet the

demands of the future, more and more factories will have to adopt automatic operations, both to reduce costs and to expand output.

The basis for these investments is found in the strong demand of individuals for more and better goods. Since World War II, for example, most kitchens have become nearly automatic. Television burst forth as a virtually new industry. Now air conditioning is taking hold.

Looking on these developments, business managements apparently see more of them in the future. As the chart on this page shows, a good many firms have outlined programs from three to five years ahead. Private industry also is starting to enter the field of atomic energy—an entirely new industry that promises revolutionary developments in years to come.

Indications point further to a strong upsurge in individual demand in the 1960s and 1970s—a time that is just a little more than five years ahead. In this period, the babies that were born in the 1940s will be coming of age and demanding households of their own. Industry apparently counts on that period to create another boom in the demand for automobiles and houses and all the things that go into homes. Some preparations for that future evidently are being made now.

These investment programs, themselves, contribute to added demand from consumers. Workers in construction, in machinery plants, in steel mills, in cement plants earn dollars that are reflected in demand for food and clothing, automobiles and homes and the countless other items that the present-day standard of living requires.

At present, all signs point to continued high investment. A survey of business plans made late in 1954 indicated a decline of 5 per cent in outlays for plants and equipment in 1955. Instead, investment will be 3 per cent higher than in 1954. Now surveys point to another increase of from 6.5 per cent to 13 per cent for 1956.

This means that the present boom in demand and production will run well into next year. Government forecasts are that industrial and commercial building will be greater next year than in 1955 and that the general level of business also will advance moderately. And business leaders themselves are voicing optimism for the future at every turn, even though the boom gives some indications of leveling off.

For a leading businessman's explanation of industry optimism, see the views of L. L. Colbert, Chrysler Corporation president, page 117.

Some Samples of EXPANSION Programs

COMPANY	AMOUNT	TIME PERIOD
Bell System	2 billions	1956
Standard Oil (New Jersey)	1.2 billions	1956
Chrysler Corporation	1 billion	1956-60
Ford Motor Company	1 billion	1956-57
Inland Steel Company	260 millions	1956-59
Jones & Laughlin Steel	250 millions	1955-58
National Steel Corporation	200 millions	1956-59
Republic Steel Corporation	130 millions	1956-58
Reynolds Metals Company	230 millions	Next few years
Commonwealth Edison	600 millions	1955-59

IN ADDITION:

Goodyear Tire & Rubber plans a 50 per cent increase in synthetic-rubber capacity.

Firestone Tire & Rubber also plans a 50 per cent increase in synthetic capacity.

New York Central System has ordered 14,750 new freight cars, to cost 117 millions.

Railroad industry as a whole has orders for 61,954 freight cars.

Pan American World Airways has ordered 45 jet air liners for 1961 delivery.

American Airlines has ordered 30 jet air liners for 1959 delivery.

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While Auto Industry Booms—

DEALERS SAY THEY'RE IN TROUBLE

The auto industry is in the midst of its greatest boom. Yet there are cries of trouble from one big part of it.

Auto dealers have inundated a committee of Congress with their complaints. In response to a questionnaire to 42,000 dealers have come 20,000 replies, many voicing complaints.

There are charges of high-pressure methods to force sales, about "overproduction," about thin profit margins and competition of a strenuous sort, about easy credit.

Dealers blame their difficulties on a good many things, including the race for customers between Ford and General Motors, the fear of what might happen if sales should slow somewhat, the pressure from manufacturers for sales.

A Senate subcommittee, headed by Senator A. S. Mike Monroney (Dem.), of Oklahoma, is culling the complaints; may come up with some ideas for legislation. Most probable, according to Senator Monroney: a proposal to eliminate "phantom" freight charges now paid by customers in certain areas, and some system enabling manufacturers to crack down on dealers who sell autos to "bootleggers" for resale.

To get an idea of what is troubling one branch of business, staff members of *U. S. News & World Report* took a sampling of the 20,000 replies.

HOW BAD IS BUSINESS?

Most auto dealers say they are being squeezed. Typical dealer comments, below, reflect the end of the sellers' market that prevailed from 1946 through the Korean war. Easy sales, easy profits are things of the past for most. In the dealers' own words:

"Worse than through so-called depression years. . . . Dealers are shipped models that are not salable in this area and either sell to 'bootleggers' or sell with no allowance to cover overhead."

—Chrysler-Plymouth, small town, Pennsylvania

"My investment is $146,000 and so far this year I have made about 1.5 per cent return on my investment. . . . If there was less factory pressure, bootlegging would vanish."

—Chevrolet, small town, Ohio

". . . The dealer organization is being enlarged to a point that few will be strong enough to stand slow times. Fifty per cent of dealers will be lost with any kind of a decline in business."

—Lincoln-Mercury, large city, Washington

"I consider the life of the small-town dealer is nearing an end. We are unable to meet metropolitan competition. Factories are concentrating on volume sales only. Public will suffer if local dealers are forced out of market."

—Pontiac, small town, Alabama

"With the factories netting up to $16 per $100 of sales, as compared with the 1954 average among dealers of $1.80, which includes their parts-and-service business, there is too much evidence of 'sell regardless' on the part of the factories. I cannot feel sure legislation will correct this."

—Ford, small town, Utah

"I feel that, if we were to have a slight recession in business, automobile dealers would fold up by the thousands. . . . The matter is very, very serious."

—Buick, small town, Oklahoma

"I employ 30 people, and I would sell out my operation for 50 cents on the dollar. If the auto business does not change by some means, getting every vacant lot out of the new-car business, most of the new-car dealers will be broke."

—DeSoto-Plymouth, small city, Oklahoma

"Both financing and selling are too wild. One day this will all burst like a bubble, and then what?"

—Ford, small town, North Carolina

"This year, the 40th year of our existence in the same location with the same product, marks the most successful year we have yet enjoyed. . . ."

—Ford, large city, New York

"It is still a good business for the dealer that is a good businessman. I don't think competition is much tougher than it is in any other field of merchandising today."

—Lincoln-Mercury, small town, Michigan

"Seems as though the auto dealers should organize on the same basis as labor—and strike at the slightest bit of difference."

—Chrysler-Plymouth, small city, Illinois

TOO MANY CARS?

"Overproduction" is the cry of auto dealers from coast to coast, and in communities of every size. In the Senate questionnaire, it is the No. 1 complaint:

"Overproduction is the curse of today's automobile business. Dealers are expected to keep selling regardless of profit, and yet the independent dealer, a small businessman, is completely overlooked by both management and labor in recent guaranteed-annual-wage negotiations. The dealer is in dire need of a 'guaranteed annual margin.'"

—Studebaker, small town, Missouri

"During 1954 we sold 6 million cars in a 5-million-car market; in 1955, 8 million in a 6-million market. We are now selling our 1957 prospects and a lot

of dealers are getting hurt in the process, giving overallowances on used cars and long-term financing to be able to move these cars."

—Chrysler-Plymouth, small town, Louisiana

"For some years the Federal Government subsidized overproduction of farm produce. Now the dealers are forced to subsidize overproduction in the automobile field. . . . Cut back production to sensible proportions. 'They are as sick that surfeit with too much, as they that starve with nothing.'"

—Nash, small city, Washington

"I feel that most of our troubles are due to a combination of conditions—overproduction, weak and unethical dealers and factory pressure to move cars. I feel that a uniform price throughout the United States would eliminate the biggest share of these problems."

—Cadillac, small town, Utah

"It's overproduction that causes all the evils." **—Ford, small town, Michigan**

". . . Overproduction is the main cause of dealer distress; it forces dealers to expand their retail market by granting unusual terms, overallowing on trade-ins and otherwise bringing into the new-car market many buyers who belong in the late-model-used-car market."

—Dodge-Plymouth, large city, North Dakota

"I have been in the automobile retail business for many years, and it has sunk to an unbelievable low of all times. Manufacturers during the late 1930s and 1940s built up fine dealers' organizations upon a quality, not quantity, program. Now, in less than three years, they have torn this down, grasping like vultures for every penny or registration as if they were destitute."

—Chevrolet, small town, New Mexico

"We are almost in the condition of 1933, when the only thing that could help us is a return of NRA [National Recovery Administration] or similar regulation. Overproduction and foolish desire for leadership on the part of the factories is responsible. . . . The large corporations . . . are forcing the smaller dealer into bankruptcy."

—Ford, small town, Colorado

DEALER VS. FACTORY

Many of the dealers' woes stem from factory policies with which Congress is not likely to interfere. Manufacturers are accused of enfranchising too many dealers. The contract between factory and dealer is under attack. Too much factory pressure for sales is charged.

From dealers' replies:

"To me, the major problem is the nature of the contractual relationship between the manufacturer and dealer. Most contracts are written for one year, and have cancellation clauses permitting cancellation with or without cause in about 90 days. . . .

"The nature of the present contract makes it possible for the manufacturer to coerce the dealer."

—Cadillac, small town, Washington

"So far this year, Ford Motor Company has enfranchised an additional seven new dealers within a 15-mile radius of us. These dealers do not have proper facilities to service the cars they sell; neither do they have capital to stock sufficient parts. They cut prices more than established dealers have been doing, and try to hire away personnel who have been trained at the established dealers' expense." **—Ford, small town, Ohio**

"I do not feel it right for a dealer to spend as much money as I have over the years advertising one car, Pontiac, and then have other Pontiac dealers come to my town and cut my throat by giving away all their profits just to take deals away from me."

—Pontiac, small city, Oklahoma

"The Ford and Chevrolet battle for first place, with Buick a second, is wrecking the automobile business. Lots of deals are made where there is not a cent left for the dealer. Factories are encouraging this, telling the dealers to make a profit on financing.

"The result is dealers all over the country are dying like flies."

—DeSoto-Plymouth, small town, Kansas

"Present conditions were brought about by the rat race between Ford and Chevrolet, with their chain-store and factory-controlled agencies, and, if something is not done to correct this situation in the

AUTOS BY THE MILLIONS

In the factories, it's the greatest year ever

AUTOS BOOM—DEALERS CRY TROUBLE

next two years, all of the independent makes and 75 per cent of the 'independent' Big Three dealers will be out of business."

—Studebaker-Packard, large city, Indiana

"The trouble with the automobile business today is a rat race between Chevrolet and Ford for the No. 1 place in registrations. They are creating a so-called false market by dumping the automobiles on dealers. . . ."

—Chevrolet, large city, North Carolina

"Arbitrary shipments of equipment, such as power steering, power brakes and power-motor equipment, are placed on cars ordered without this equipment and are paid for before the dealer knows about such equipment being placed thereon. . . . The contract is one-sided and should be equalized."

—Dodge-Plymouth, small city, Texas

"Dealers should not be compelled to buy excessive advertising and be forced to take part in contests that they have no voice in the rules for winning, and should not have to buy from 100 to 300 dollars' worth of special tools every time a new model comes out, 50 per cent or more of which are never used. We are told that this purchase is 'a must,' and we always have to buy." **—Ford, small town, Texas**

"I feel that all dealers are under too much pressure and controlled by factory influence. . . . I really believe that factory-dealer relationships should be the main thing to investigate, and that would do much to stop what you term 'bootlegging.'"

—Nash, small town, Colorado

SHOULD CONGRESS ACT?

Most auto dealers want Congress to do something about their plight, but there is no unanimity on what should be done. Some dealers want "phantom" freight charges banned; some want a law against "bootlegging"; some want a return to exclusive territories for each dealer, and others suggest a renewal of Regulation W, controlling credit:

"We want uniform freight. So much freight at Detroit and same freight all over U.S.A. This will stop the flow of new and used cars from East to West."

—Ford, small city, Idaho

"I am not in favor of Government in business. I know our problems will work themselves out without calling for police. I remember OPS [Office of Price Stabilization] and Regulation W, which was a shining example of monkey wrenches on the cogs of free enterprise."

—Oldsmobile, small city, Texas

"There needs to be a federal law prohibiting dealers from false advertising."

—Buick, small city, Alabama

"There should be some legislation to protect the dealer from undue pressure from the factories. In my opinion, a dealer should have the right to decide how many cars he can sell in his market at a profit, and order accordingly without being threatened with the cancellation of his franchise."

—Dodge-Plymouth, small town, Colorado

"Eliminate the new-car registrations which are used as the barometer of per cent of sales that the manufacturer uses as the hammer over dealers to produce more sales. When a dealer has to take unprofitable deals to get his share of the new-car registrations, he has to sacrifice profit. We know of no other business which uses registrations as a method of putting pressure on the franchised dealers of the product to take more merchandise than they can sell at a profit."

—Chevrolet, small city, Illinois

"I believe every dealer should have a territorial-security clause, with a stiff penalty for infringement. I believe Regulation W should be enacted again with a 24-month limit. This would stop crazy advertising. This would put people into good, late-model used cars which they can afford to pay for, instead of new ones which eventually will be repossessed."

—Ford, small town, New York

"Regulation W would help—one third down and 24 months to pay, with fixed interest rates on new and used cars."

—Chevrolet, large city, California

"Let's keep the Government out of the car business."

—Chrysler-Plymouth, small town, Nevada

"Why should all the competition be at the dealer level? For over 15 years, no major manufacturer has advertised a price reduction in spite of excessive earnings. . . .

"Reinstate Regulation W (at least in the auto industry) to prevent unsound selling."

—Chevrolet, small town, Pennsylvania

"We strongly favor legislation on contracts canceling franchises of dealers who sell new cars to unauthorized persons for resale. . . . A return to the territorial-security clause would eliminate much of the present disgraceful tactics of merchandising automobiles. Unless there is decided improvement, we certainly are closing our doors. Legislation is desperately needed to get the industry back on the sound business footing it should have."

—Chrysler-Plymouth, large city, Florida

–USN&WR Photo

DEALER AND CUSTOMER
"There should be some legislation . . ."

WHY REPUBLICANS LIKE IKE

He's Their Best Vote Getter in 20 Years

Republicans, planning party strategy for '56, borrow an old Democratic precept, count on a big turnout to bring victory.

The reason: Returns for 20 years show Republicans as a minority party, winning only when extraheavy voting was polled in '52.

If the President does run again, party leaders foresee sure victory with a repetition of that record outpouring of votes.

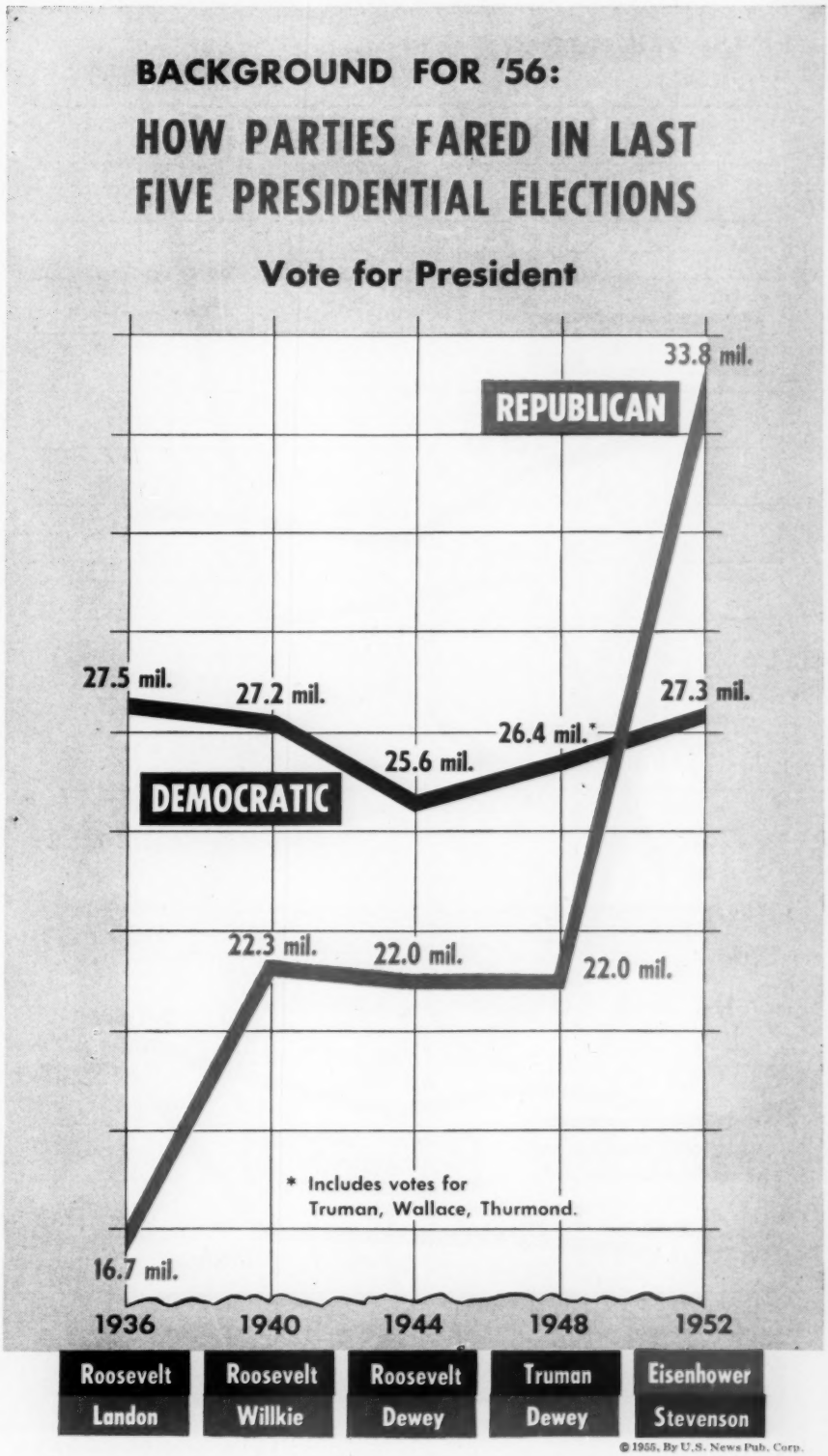
At the moment, it is clear that the Republican Party still is pinning its hopes for 1956 on President Eisenhower. Many in the party emphasize his improving health. Other top-flight Republicans are slow to get into the field as candidates. Present planning is centered upon the assumption that Mr. Eisenhower will accept a draft for a second nomination.

The reason why the President bulks so large in Republican planning for 1956 is shown in graphic form in the accompanying charts.

The vote for Mr. Eisenhower in 1952 was spectacular. It came at a time when some Republicans were saying that their party had dropped into a minority role in national affairs and that drastic steps must be taken if it ever was going to win another national election. Plans were discussed for a coalition with Southern "conservative" Democrats.

Out of a rut. Then Mr. Eisenhower went into the race. There was a hot campaign. At the end, voters from one end of the country to another broke out of the rut in which they had floundered for 20 years. The outpouring of voters was tremendous. Although the Democrats held close to their all-time high, reached at the peak of New Deal power in 1936, what had been regarded as a Republican minority suddenly was transformed into a Republican majority.

Mr. Eisenhower proved to be a winning candidate with great vote-getting ability. In 1956, Republicans would expect him to poll as many votes as he did in 1952. If that should be true, the chance of a Democratic victory, regard-



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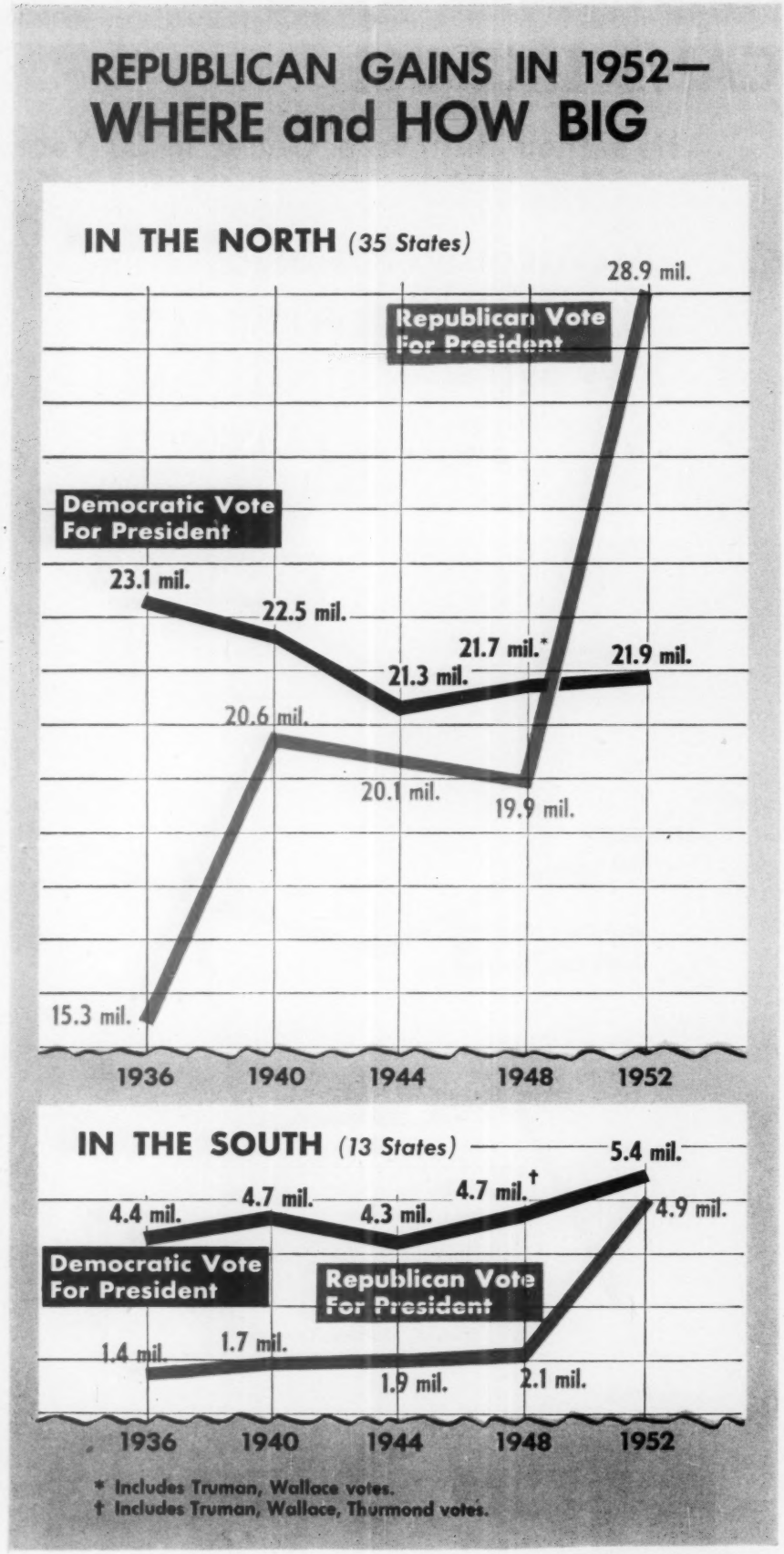

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less of the identity of the party's candidate, would be remote.

The Republican drought. The disparity of the two parties during the 20-year regime of the Democrats is illustrated in the chart on page 29, worked out by the Dunn Survey, of Greenwich, Conn.

Democrats, regarded as the majority party, held to a plateau of votes that ranged from a low of 25.6 million to a high of 27.5 million. Year by year, the number of potential voters increased, but the size of the Democratic vote remained about the same.

Similarly, in a parallel line on a lower level, Republicans, in three straight presidential elections, got from 22 to 22.3 million. Their vote changed little with the rising tide of potential voters. They regarded themselves as a minority party. Yet, the late Senator Robert A. Taft, of Ohio, argued that, if they could bring millions of potential voters to the polls, the Republicans could win.

That is what happened in 1952. Mr. Eisenhower went into the race. The issue of Korea was raised. There were charges of Communism and corruption in Government. Either the candidate or the issues, or both, brought many millions of new voters to the polls.

Then a flood. The Republicans, overnight, were changed from a minority to a majority party. Mr. Eisenhower lifted the Republican vote level from 22 million to 33.8 million. This was done at a time when Adlai E. Stevenson, for the Democrats, was getting about the same number of votes the Democrats had won at their all-time high.

Of the new voters, studies disclose, about one third were young people who had not been old enough to vote before 1952. Two thirds were older persons who had not been interested enough to vote before. Whether they voted against the Democrats, or for Mr. Eisenhower, still is not clear. In planning for 1956, however, Republicans again would like to try the magic combination of the Eisenhower name plus the issues.

In the old days of Democratic majorities, the theory was advanced that a big vote invariably meant a Democratic victory. If the vote was low, it was said, the Republicans would win. Now, there is a reversal of the argument. It is a point that neither party is too sure about now. But a big vote did bring the Republicans into power with Mr. Eisenhower.

Congress affected. Not only the Presidency, but control of Congress is at stake in 1956, and Republican congressional candidates would like to have the Eisenhower name at the head of their ticket in many areas.

The chart on page 31, also developed by the Dunn Survey, shows the connect-

ing link between congressional and presidential elections.

During the years of Democratic power, Republicans gained ground in Congress in the mid-term elections of 1938, 1942 and 1946. After losing control of Congress in the presidential election of 1948, they gained ground again in 1950, with the Democrats in power. Mr. Eisenhower's sweep took them to a narrow control of Congress in 1952 and, as the party in power, they lost ground in 1954. Now they would like to see Mr. Eisenhower lead them back to control in 1956.

Actually, Mr. Eisenhower ran only 1.8 percentage points ahead of Republican candidates for Congress outside the South. And it is in this area that Republicans have to get the votes to give them control of Congress.

Mr. Eisenhower got enough electoral votes from the Northern States to have given him the Presidency without any from the South.

Turnout of new voters. This is made clear in the chart on page 30. It shows that the votes of the two parties tended to stabilize regionally, as well as nationally, in the period of Democratic power.

In the 35 Northern States, Republicans held at around 20 million votes from 1940 until the Eisenhower surge of 1952. This added 9 million votes to the total for these States.

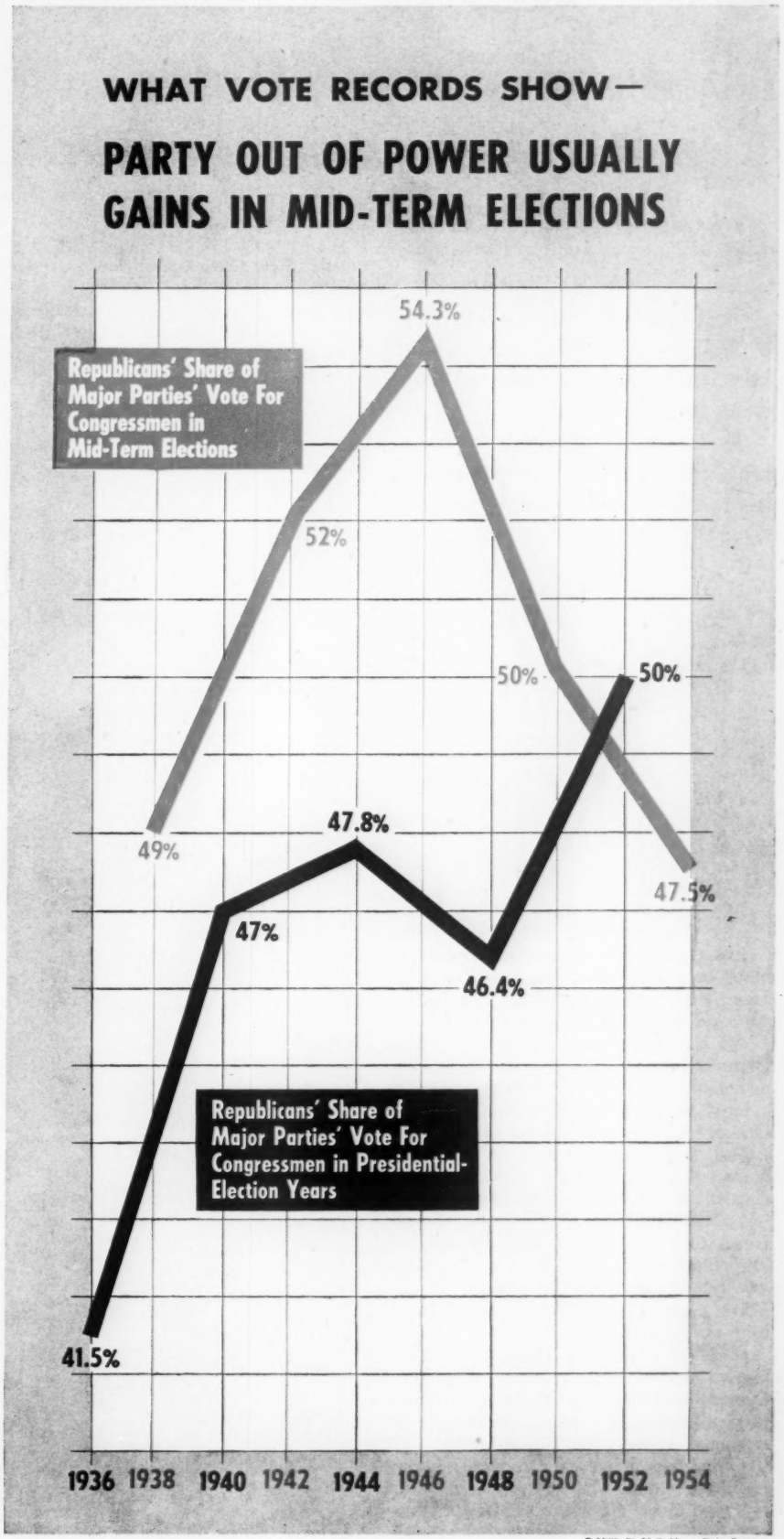
In the same area, the Democratic total was 23.1 at the 1936 peak. Then it sagged until brought to a high of 21.9 million by Mr. Stevenson in 1952.

In the 13 Southern States, including Oklahoma, Kentucky and those of the old Confederacy, there also was a big turnout of new voters. Mr. Stevenson got 1 million more votes than Franklin D. Roosevelt drew in 1936, yet lost four Confederate States, as well as Oklahoma.

And Mr. Eisenhower got 2.8 million more votes in the 13 States of the South in 1952 than Thomas E. Dewey had drawn there in 1948. The Democratic margins were reduced from 2-to-1 to a bare majority. The turnout of new voters shook the South from end to end.

They still want Ike. Studying the results of 1952, with the great tide of voters that swept across the country, Republicans, while not quite sure what caused the change, are sure of one thing: They still want Mr. Eisenhower at the head of their ticket. Whether it was Eisenhower the man, or the issues, or a combination of both, they would like to try his magic again in 1956.

For an account of what Adlai E. Stevenson faces in his race for the Democratic nomination, see page 55. A picture report on President Eisenhower as he takes over his Gettysburg "White House" starts on page 58.



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Mystery of the "Defensive" Weapon

Arms Balance in Middle East Raises Problem for U. S.

When does a weapon become "defensive," not a means of attack?

That is what a decision to ship U. S. arms to Israel hinges on. Request is for antitank, antiaircraft, antisub types.

This article provides a close look at the American weapons involved—if Communist arms for Egypt are to be countered.

Top-level officials of the U. S. Government now are proposing that this country supply "defensive" weapons to Israel.

These American weapons, so the proposal goes, would counter the "offensive" weapons being supplied at this time by Communist Czechoslavakia to the Egyptian Government. U. S. arms would be of a type usable for self-defense, but not for attack. Hope is expressed that this form of aid to Israel might ease the war tensions growing in the Near East.

A practical question, however, is raised behind the scenes by this proposal. It centers on how to draw a line between "defensive" and "offensive" arms.

Just what types of American weapons have been requested by Israel can be seen by the list of Communist arms being supplied to the Arab world.

Air weapons being furnished by the Communists to Egypt give one indication of what American aid planners are up against in the way of "offensive" arms. Crated MIG-15 jet fighter planes, made in Russia, are reported already on the docks at Port Said; Soviet-built IL-28 jet bombers also are reported to be en route by ship.

To counter these weapons, Israel could use U. S. Army Skysweepers, or other antiaircraft guns. But, for a really effective defense, in the opinion of Air Force planners, the Israelis would need high-performance interceptor planes, such as jet F-86s or F-102s. There is no known method of preventing "defensive" interceptor planes like these from being used also as attack planes to launch an offensive against the other side.

Ground-force weapons raise a similar problem. Communist Czechoslovakia is reported to be shipping at least 100 Russian-built tanks and "substantial quantities" of artillery to the Egyptians. Antitank guns seem to be called for as "defensive" weapons for Israel. But these guns can be used as attack artillery just as easily. A better defense against tanks, moreover, is other tanks, which can search out and destroy enemy armor. "Defensive" tanks, in this case, would be indistinguishable from "offensive" machines.

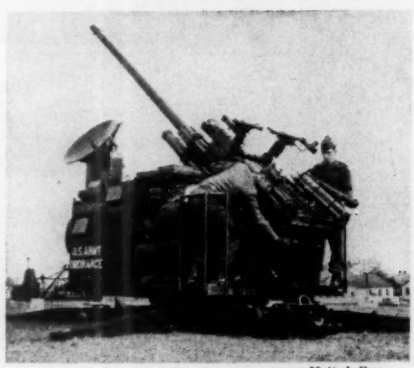
Defense against Communist-supplied artillery, in turn, may be either counter-battery fire from other artillery, or attack by dive bombers. Again, the "defensive" weapons called for, turn out to be usable for attack as well—standard artillery and dive-bomber aircraft. Military planners see no other defensive solution here.

Sea-power weapons also are involved in the Israeli case. Egypt, according to persistent reports, is receiving at least half a dozen Soviet-type submarines. Antisubmarine weapons, thus, are among the "defensive" items under consideration by U. S. officials for shipment to Israel.

That means surplus U. S. destroyers, sonar equipment, underwater mines, torpedo planes, possibly even small aircraft carriers—all of them basic antisubmarine weapons. But those same weapons, if supplied to Israel, also could be used to establish a blockade of all shipping from Egyptian ports, for instance, or to escort amphibious attack forces for an "end run" behind Arab lines.

—Wide World

AMERICAN F-86s



—United Press

U. S. SKYSWEEPER
Destined for Israel?

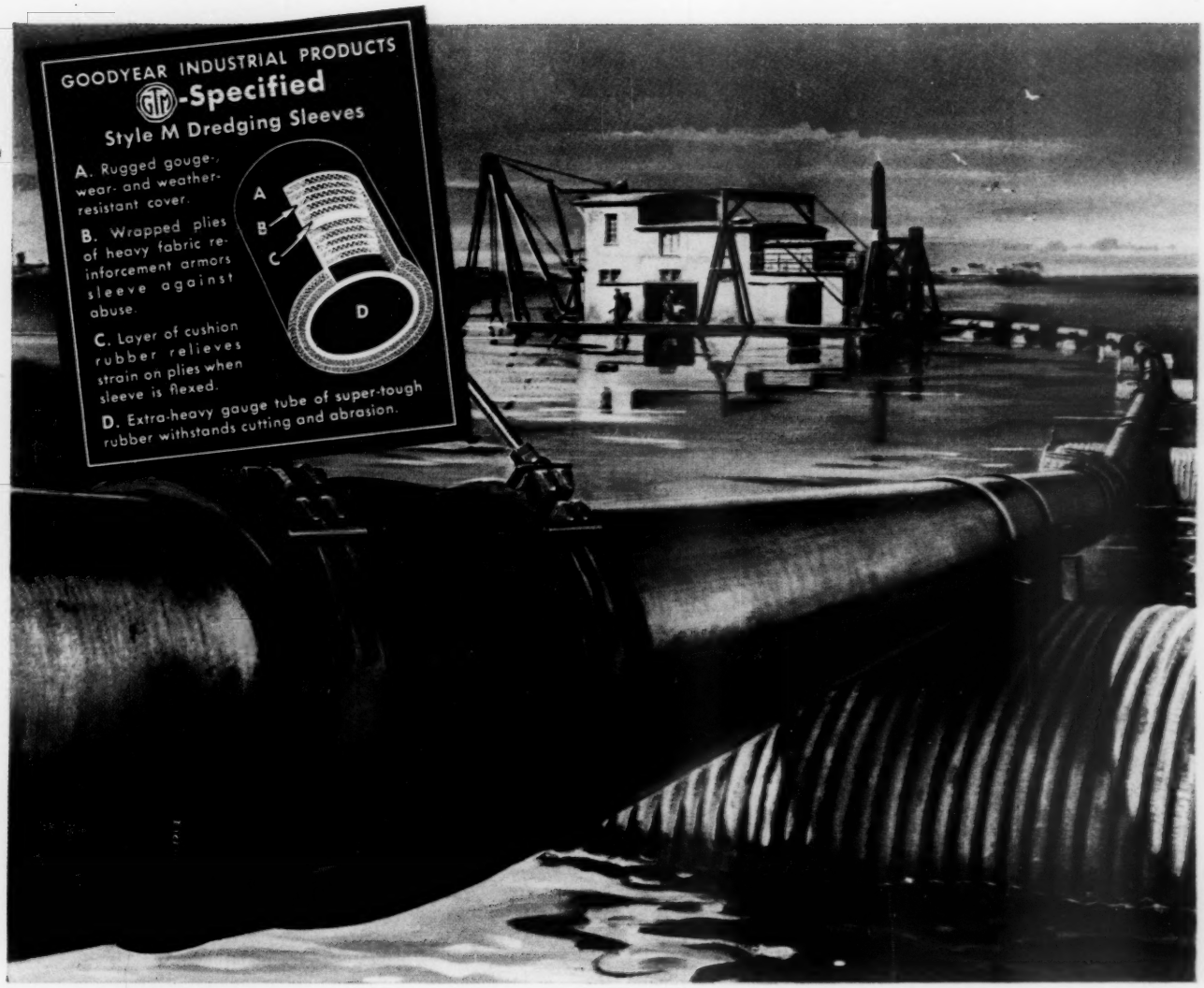
The distinction between "offensive" and "defensive" weapons as military officials explain it, usually applies to the use that individual weapons are put to at the time, not to the weapons themselves. Weapons, it turns out, are developed so that they can serve both purposes whenever possible.

Even antiaircraft guns, designed to shoot down enemy aircraft as a purely "defensive" measure, may be turned into "offensive" weapons with little effort. In World War II, the German "88" became a prime example. Designed for use as an antiaircraft gun, it also turned out to be capable of being lowered for use as a normal artillery piece of considerable accuracy.

It's the same story in the U. S. armed forces now. Fighter aircraft in the Continental Defense Command, with a purely defensive mission, are fully able to deliver atom-bomb attacks against enemy cities and enemy installations. The Army's Honest John missiles, usable for defense against attacking tanks, may be employed to blast a hole in enemy lines to launch a U. S. offensive. Navy antisubmarine aircraft can launch attacks on enemy ports and enemy shipping just as well. Ships carrying all of the complicated gear needed to track down and sink attacking submarines are the same ships used in offensive operations at sea.

Weapons that are usable as antitank, antiaircraft and antisubmarine defense, in each case, thus appear to be usable for attack purposes, too. Other weapons, designed to counter reported shipments of such things as Russian-built machine guns and small arms, often turn out to be the same types of weapons.

Both Israel and Egypt, actually, have stocks of arms on hand at this time with which they can wage war, whether those weapons are called "defensive" or "offensive." Additional weapons will be usable in either way. That will depend, it appears, on the intentions of the country involved, not necessarily on the form of the weapons.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A
B
C
D

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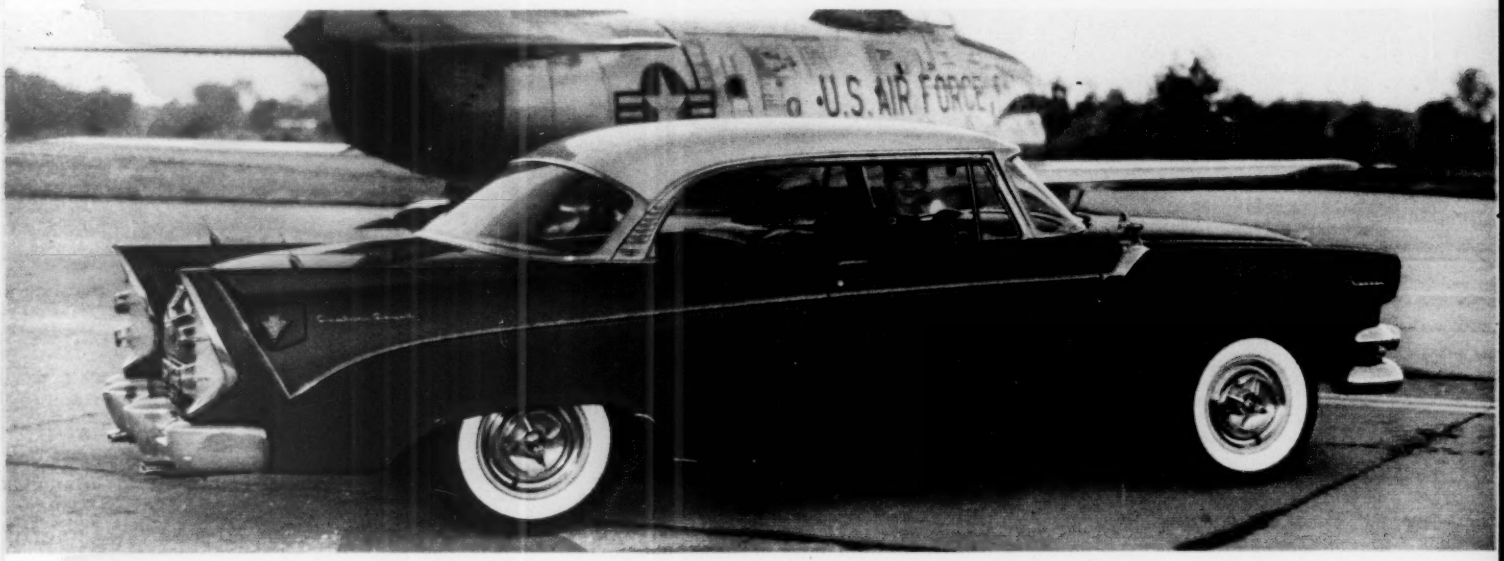

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MIXED SCHOOLS—SECOND YEAR

More and More White Pupils Leave Washington

Negroes are pouring into Washington, white families leaving in droves. Result: a basic change in the population of the nation's capital.

In schools, 64 per cent of students now are Negroes. In some residential areas, Negroes take over.

In the nation's capital, where integration of public schools began last year, people are startled to discover that Negro pupils now outnumber white pupils 2 to 1.

Washington's enrollment trend in recent years has been toward more and more Negroes, fewer and fewer whites. Now that trend is being accelerated.

Twenty years ago, 64 per cent of the pupils in the city's public schools were white, 36 per cent Negroes. Today this is reversed—64 per cent Negroes, 36 per cent whites. These figures are disclosed by a new official count.

Washington now has a greater proportion of Negroes in the public schools than any other large U. S. city.

Migration from South. An end to this shift of the races is not in sight. What is happening in Washington is explained by two important developments:

First, as the southernmost unsegregated city in the East, Washington attracts more and more Negroes from the segregated South.

Second, and even more important, Washington is losing thousands of white families to the suburban areas of Maryland and Virginia—areas where schools are either segregated or heavily white in enrollment.

This rush of whites to the suburbs has been stepping up since 1948, when the Supreme Court outlawed "restricted covenants." As long as these covenants had legal effect, homeowners were committed not to sell to Negroes or persons of other minority groups. After the court ruling, Negroes penetrated white neighborhoods more rapidly, causing whites to hasten their flight to the suburbs.

In the last two years, since plans for integration of races in the schools were announced, still more white families have moved from the city.

The white population that is left in the city is an unusual mixture—including less than the normal proportion of children. The young married couples and those with families tend to live in the suburbs. The older persons and young unmarried persons tend to stay in the city, finding it more convenient to live in downtown apartments.

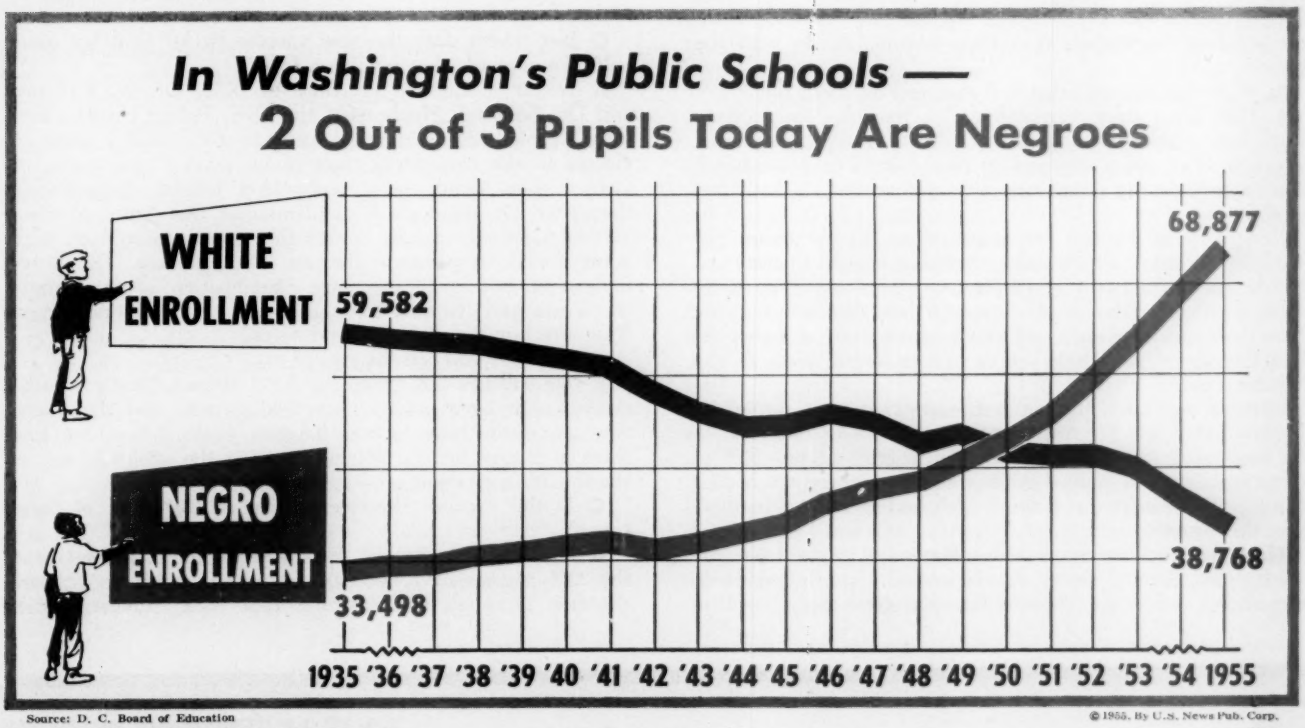
White births drop. One result of these changes is that the birth rate among white Washingtonians is far below the national average. It is 19.7 per 1,000 population. At the same time, the Negro birth rate is unusually high—30.4 per 1,000.

A large proportion of the white children who are born in the city move away.

There is no net gain of white population in Washington. Some new people come, but a larger number leave. Between 1940 and 1950, the white persons moving away outnumbered those moving in by 12,932. At the same time there was a net migration of 63,967 Negroes into the city.

One result of all this is that, in nine out of 10 Washington public schools, there is some joint attendance by Negroes and white students, with Negroes predominating in most places.

How the State of Virginia is moving to sidestep mixed schools—page 104.


In Washington's Public Schools —
2 Out of 3 Pupils Today Are Negroes
WHITE ENROLLMENT
NEGRO ENROLLMENT
59,582
33,498
68,877
38,768
1935 '36 '37 '38 '39 '40 '41 '42 '43 '44 '45 '46 '47 '48 '49 '50 '51 '52 '53 '54 1955

Source: D. C. Board of Education

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Interview with DR. JOSEPH A. BELL

Virus Expert, U. S. Public Health Service

NEW VACCINE HELPS PREVENT COLDS

Can you now get "shots" to prevent colds?

That impression spread widely with announcement of a new vaccine developed by the U. S. Public Health Service.

If you mean the ordinary, nonfeverish case of sniffles, the answer is "No."

If, though, you mean some of the feverish kinds involved in vague ills such as grippe or "the virus that's going around," tests on volunteers shows shots to be effective.

Colds and influenza—this reportedly is to be an epidemic year for flu—are tricky diseases. That's why the new vaccine is an important advance.

In the following interview, Dr. Joseph A. Bell puts it all into perspective, tells exactly what is discovered, what is ahead. Dr. Bell helped develop the new vaccine.

Q Dr. Bell, is the new vaccine you and your associates have developed really a preventive for the common cold?

A That depends on what you call the common cold. That term can mean different things to different people. If you think of it—which we doctors do not—as including some of the minor respiratory illnesses that give you a bit of fever along with, say, a runny nose and general discomfort, then you can say we have developed a vaccine against some of the common colds. But if you think of it—as we doctors do—as being limited to the nonfeverish type of ailment, then the vaccine we have developed may have nothing to do with the common cold.

Q Well, just exactly what is it that you do have, then?

A That takes some explaining: You're sick. We want to know how you're sick. You say, "Well, I've got a runny nose," or "I've got a stopped-up nose," or "I've got a headache, a pain in my chest, my eyes are running, I don't feel good."

Now, a lot of diseases can cause symptoms like these. For example, at onset, diphtheria, whooping cough, pneumonia, measles, etc., produce such respiratory symptoms. But, as we began discovering the cause of some of these diseases, we gave them their specific names and thus began to narrow down the field that could be labeled with such a vague term as the "common cold."

First we separated the many diseases that were caused by bacteria. That left the respiratory diseases due to viruses. In the beginning it was a big, undifferentiated group. Not so many years ago—in 1930, I think it was—we carved out of that group psittacosis—parrot fever—which had spread epidemically in this country.

Then in 1933 we separated influenza A virus from the others. And then Q fever was separated. And influenza B, herpangina and so on. Thus, as time has gone along, medical research has been able to discover the cause of specific diseases, removing them from the mass of undifferentiated respiratory diseases.

But we still have an awful lot left. Now, when we don't know what they're caused by, we don't have an adequate basis for classification. We can classify them in broad groupings. In scientific circles we usually think of the common cold as an ailment that produces no fever in a person, just a runny or stuffed-up nose, and malaise. We speak of the others as febrile respiratory diseases—ones with fever.

Q Just where does the new vaccine fit in? Is it for some cold-like ailments that involve a fever?

A Yes, it is. Let me say this: In 1953, Dr. W. P. Rowe and Dr. Robert J. Huebner of the U. S. Public Health Service's National Microbiological Institute discovered a group of viruses in the respiratory tract of humans—a new group of viruses that hadn't been recognized before. Immediately thereafter Dr. Maurice R. Hilleman at the Army Medical Service Graduate School found the viruses in soldiers with acute febrile respiratory illnesses. Dr. Huebner, Dr. Rowe and others made an extensive classification of this family of viruses and we now have about 10 or 11 distinct types. They are numbered 1, 2, 3 and so on.

Q What do you call the group?

A We call the this group the APC viruses. That's for adenoidal, pharyngeal and conjunctival viruses, and that name was given to these viruses because that's where we find them in human beings. We find them in the adenoids, and in the throat, or pharynx, and in the eyes.

Q Is the vaccine effective against all 10 or 11 of these types?

A No, it is not. But let me add a thought: In the main, the APC viruses have been associated only with the feverish diseases, although we recognize that when further studies

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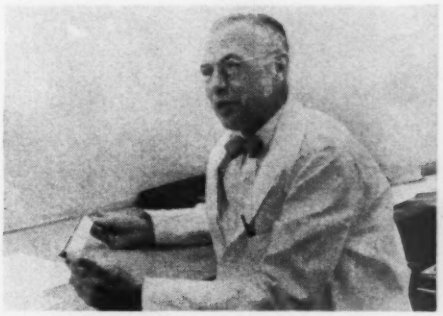
Shots 70 Per Cent Effective on One Group of Viruses . . . Tests Made on Human Volunteers . . . Ahead: More Work on Flu

Dr. Joseph A. Bell is a well-known authority on respiratory illnesses and on immunization against childhood diseases. He is chief of the epidemiology section at the National Microbiological Institute, Bethesda, Md., a division of the U. S. Public Health Service.

Dr. Bell is a graduate of the University of Colorado Medical School and holds a doctorate in public health from Johns Hopkins University. He has been with the Public Health Service since 1930.

In World War II, Dr. Bell served with the U. S. Typhus Commission in Italy and on the public-health staff of Supreme Allied Headquarters in London. He also was chief of public health with the U. S. Group Control Council for Germany.

For his wartime medical services, Dr. Bell was awarded the Legion of Merit.



are done they might prove to be involved in some of the milder diseases. We don't know that all types of this family of viruses cause disease. We do know that type 3 produces a pharyngeal-conjunctival fever—an ailment with pinkeye, sore throat and fever—and that it is sometimes epidemic.

Types 4 and 7 also cause febrile respiratory diseases. What I am getting at is that, of the types of these viruses we have associated with acute respiratory illnesses, they have mostly been in febrile illnesses. So we think that this vaccine is not a vaccine against a common cold—that is, not what we doctors call a common cold—but it may help what you or somebody else calls a cold. I wanted to give you this picture so you would know what we are talking about.

Q Which type of APC virus is the vaccine effective against?

A It so happened that at first we got a lot of experience with APC type 3 virus, so we just used the type 3 virus and made a vaccine for it. Now these viruses are all similar, but at the same time—just like the three types of polio—we don't know whether we will run into difficulties in making the vaccine for the other types.

Q Is this vaccine made the same way as the polio vaccine?

A Grown in tissue culture, yes.

Q Killed by chemicals?

A By chemicals and by heat. It isn't exactly like the polio vaccine. We tried to make it like the polio vaccine, but we couldn't kill the virus, and so then we made it by the method we have devised which is similar to that used for encephalitis vaccine and a lot of other vaccines.

Q So you are working on vaccines against types other than type 3?

A Yes.

Q How effective is the vaccine?

A In our human-volunteer studies, it was about 70 per cent effective.

We have been able to take these viruses—all types that we have tried so far--and, by swabbing them on the eyelid, produce illness in 90 per cent of the volunteers who have no antibodies—no body-built protection—against that particular type.

This gave us a method whereby we could make a preliminary trial of a vaccine. So we made the vaccine and gave it to a group of volunteers who had no antibodies, and roughly 80 per cent of them developed antibodies. Then we swabbed the virus in their eyes—along with a group which had no antibodies and another group which had naturally acquired antibodies from past infections.

What happened? In the group with no antibody protection, the usual 90 per cent came down with the illness. Of those who had naturally acquired antibodies, only about 20 or 25 per cent came down with the illness. And only about 20 or 25 per cent came down with illnesses among those who had the vaccine-produced antibodies.

Q So the vaccine was effective?

A Yes. But that is under artificial conditions in human-volunteer studies. What would happen in naturally occurring disease, we don't know. Presumably it would be no less effective, because this artificial challenge is a severe test.

Q Is there any evidence of how long the protection will last?

A We just completed our study, so we haven't got any long-term data to give any information on, and we actually can't say. We just don't know.

We can say that these antibodies are neutralizing antibodies which we presume are the same as occur in the natural disease. We know that in some cases of natural infections that occurred in 1951 the patients developed antibodies that still were there when we tested them again in 1955. Presumably,

(Continued on next page)

. . . "The vaccine's protection might last five years"

they are protected. Now if the killed-virus vaccine produces antibodies that last as long as they do in the naturally occurring disease, then you could say that the vaccine's protection might last five years, and that's as long as anybody knows.

Q Will this vaccine be manufactured for the public's use?

A If the disease is sufficiently prevalent, I am sure that the vaccine would be manufactured for general use.

Q Do most people get these APC virus diseases at one time or another?

A There is evidence to indicate that they have one or more of them.

–USN&WR

IN THE LABORATORY, RESEARCH CONTINUES
"Nothing seems impossible"

Q So if there were a vaccine that could protect against all types it would be a very valuable thing?

A Particularly if it would last a long time. If we have to give it every year, I would say I would question it very much —it might not be worthwhile.

Q Would it be a single shot, or a series of shots?

A We don't know. We have used one dose and three doses, but there was no difference in protection between the one and three doses.

Q Would it be likely that one vaccine can be effective against all APC viruses?

A I think it would be premature to develop such a vaccine unless you know what diseases each of the various types of virus are producing and how dangerous they are and how much inconvenience and difficulty and so forth they are causing. That might differ a great deal in different age groups. You might want a vaccine—this is all theoretical—you might want a vaccine you could give to children, and you might want another type to give to college students, or a type for military recruits, and maybe another type for other groups.

Q In the cold-type illnesses people get, do these viruses represent a small or a large proportion?

A Dr. [John H.] Dingle and his colleagues out in Cleveland have been carrying on family studies for quite a number of years, studying principally for respiratory diseases. I think they estimate that children in the study have an average of nine respiratory illnesses per year. Adults have fewer. So there is an over-all average of about six per year per person. But that includes all types of respiratory ailments.

Other extensive surveys show that—excluding influenza and other diseases of known cause—the acute febrile diseases amount to around 7 per cent per year. That is, 7 per cent of the population is getting the more severe, feverish, cold-like illnesses that cause absence from work for two or more days.

If many of these illnesses are due to these APC viruses, you may want a vaccine and you could use it quite generally.

Q Do the APC viruses cause this 7 per cent of the severe, feverish, cold-like illnesses you mentioned?

A We don't know. It must be less than that. You see, these viruses have just been discovered—in December, 1953. And only recently have scientific workers begun to look for them and study them and find out what ailments they are causing in various parts of the country.

MANY CAUSES FOR COLDS—

Q Would a vaccine that is effective against the APC viruses be effective against viruses that cause colds?

A Again, it depends upon what you call a cold. There are perhaps multiple causes for what is called a cold. Many of these sniffling noses may come from allergies, chemical irritations, psychological causes, or what not. We don't know how many diseases are involved or exactly what their relation to the APC group of viruses may be. The vaccine we used will not protect against such sniffles.

Q Could a vaccine be developed for the ordinary cold?

A Not until we find the cause—or causes. And there may be other factors. Viruses sometimes change. Take influenza, for example. One of the problems is that a vaccine which is effective against an influenza virus this year may not be effective should the virus change. The same thing might turn out to be true about cold viruses—if there are any.

Q Is there a new flu vaccine that is more effective than previous ones?

A There are many studies going on. We have extensive studies going on right around here, in Maryland and Virginia. I anticipate that within the next month or two we will have a total of about 20,000 people under observation every two weeks to study occurrence of respiratory diseases, including influenza.

We have given those people different types of vaccine. We have used a new water-in-oil vaccine for comparison with ordinary vaccine. The new one seems to produce far more antibodies than the old one, and they last longer—as much as three years compared to as little as three or four months for

(Continued on page 42)

New Shoes!

Americans are the best-shod people in the world. Read how banks help.

About six months ago the "Mary Janes" above were the flanks of a Hereford calf.

To ready them for a party took the combined resources of tanners, manufacturers, retailers and a whole squad of bankers.

What banks do

Before it's fitted snugly to your foot, a shoe is well-heeled with bank loans. The reason why goes briefly like this. The tremendous ingenuity developed by American shoe manufacturers is largely channeled into making an almost unlimited selection of rugged, inexpensive shoes. This requires mass production. Mass production requires ready money, and bank loans are one good way to meet that requirement.

Bank loans help tanners buy up hides and process them. Bank loans, in turn, help shoe manufacturers stockpile great quantities and varieties of leather. They frequently free working capital for factory expansion and experimentation with new types of footwear. In the retail area, bank loans often help finance shoe store construction. Finally they help your dealer stock a shoe style and a size for practically every man, woman and child.

Working money

As you can see, bank help to the shoe industry means better fitting, more sturdy shoes for you. But it means more than that.

Bank help to the shoe business, or any other successful home-grown enterprise, means that competitive banking has put the community's idle funds to work. It follows that money at work means jobs for men and women, profits for investors and enterprising manufacturers . . . and a high standard of living for Americans. The Chase Manhattan Bank of New York, a leader in loans to American industry, is proud of the contribution banking has made and is making to the progress of our country.

THE
CHASE
MANHATTAN
BANK

(MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION)

. . . Flu epidemic "would seem more likely this winter"

the older type. But the question of whether these antibodies will protect against the disease still isn't settled.

Q Wouldn't you expect it to be more effective? Would you need fewer shots? How many shots are given now, anyway?

A The difficulty with the ordinary influenza vaccine which is on the market right now is that the influenza viruses keep changing from year to year, or every two or three years, and the vaccine you make with the virus that you have may not be the vaccine that will be effective with the virus that occurs next year, because it may be a different type of virus. So our difficulty is getting next year's virus in this year's vaccine. The next thing is that you don't do any good if you wait till just before an epidemic to use a vaccine. That doesn't do any good. You've got to give it a month or so ahead of time.

Q Should people be getting shots now, for protection this winter?

A Yes, if they are going to get vaccine, get it now. But it's not recommended for general use. We need more research.

Another difficulty is that if you use a large-enough dosage in children you get a lot of reaction. Your question originally was, how many doses to use. Usually one dose is recommended for adults, and ordinarily it is repeated the following year. But, for children, a single dose causes too many reactions, so the dose is divided. Children usually get two doses—smaller doses.

The American Public Health Association and the U. S. Public Health Service say that influenza vaccine is not generally recommended for widespread public use.

Q But hasn't the Defense Department started inoculating all servicemen?

A That's not general use—that's specialized use.

You see, if you have a vital installation, a ship, for example, and influenza attacks it and knocks out 80 per cent of the personnel all in one week, you're really handicapped. It not only taxes the personnel that are available to take care of them, and the hospital facilities, but it's difficult to operate the ship. Here any little protection that can be given is considered worthwhile.

EPIDEMICS IN SCHOOLS—

Q Aren't people in a city as vulnerable to flu epidemics as servicemen at a military post?

A No. The servicemen are all living together in much closer contact. We do get these epidemics that occur in schools and knock out 40 or 60 per cent of the kids in a week or so. But how often do they occur? Should we vaccinate every year when that happens to the same school only once every decade?

Q Will this be a winter for a flu epidemic?

A I get that question every year. People come around and tell me that somebody says we're going to have a big influenza year this year. Now, we haven't had much influenza A for two years, and normally it has been occurring in cycles of about every two or three years. So since we've been two years without a large epidemic, it would seem more likely one would occur this winter. But what type of virus will it be caused by? And will this year's vaccine protect? And how much?

Q If a person wants to protect himself against a possible flu epidemic, should he take a shot?

A Yes, if he wants it bad enough. I don't take it except for study purposes. The amount of protection is questionable. But it definitely protects against closely related strains of virus. When we say it is not recommended for general public-health use that means we don't go out and set up vaccinating places in all the schools, and so on. For example, the B type influenza vaccine which was commercially used last year wouldn't do anything as far as we know for the B type influenza that occurs this year, because it's a different type.

Q Were there a lot of flu outbreaks this summer and spring?

A We had a few here in Montgomery County, Md.

Q Does that mean there is more likelihood of an epidemic this autumn?

A Some people think so, but what we had last spring—which occurred primarily in the junior high schools and had a very low incidence in adults—that was the B type of influenza. That type doesn't recur usually except every three to five years. So we may have a little time to wait for a type B epidemic. I wouldn't think the kind that occurred last spring will occur this year.

NO REACTION FROM "SHOT"—

Q Getting back to the APC vaccine you have developed, does it cause any reaction?

A The volunteers we used in our study were reformatory inmates. They had a lot of hard labor to do, a great many of them, and they would use every excuse they could to get away from such labors. I think they had every incentive to complain of sore arms, or upsets from the shots, but they couldn't muster up enough evidence to make any complaints whatsoever. In other words, they had absolutely no reaction from the vaccine.

Q Do APC viruses cause grippe?

A In general parlance, yes; the so-called ARD, what doctors call acute respiratory disease—the Army particularly uses that term. The Navy often uses URI, upper respiratory infection. When an adult gets fever, he gets a little achy. Many febrile respiratory infections are associated with type 3, type 4 and type 7 virus.

Q Are you saying that the term "grippe" could apply to a lot of different illnesses, and your APC vaccine might be effective against some but not all of them?

A That's right.

Q Would it be effective against virus X?

A There was the so-called virus X in Los Angeles in 1947, I believe it was. After it was studied, it was found to be influenza virus. But that was long after it had occurred, and by then "virus X disease" was being generally used by the public.

As a matter of fact, people don't talk about the common cold any more—they just talk about having "the" virus. I wouldn't say it's public misconception of what they call "colds"—what they call "the virus that's going around." It's just a question that they've got to have some name to give it.

Scientists define the cause of these things and classify them in various ways. You can't tell the difference between a mild type of influenza and a severe common cold by just looking at it. But by laboratory study the differences are often evident.

Q Would a vaccine, to be effective against colds, have to be made from viruses of all types that cause the disease?

A So far that has been the characteristic. With influenza we have three, four or five viruses put into the vaccine. With polio, there are three different types.

Q Will there ultimately be a vaccine for the every day, nonfeverish cold?

A Well, the ultimate is a long way off. I hope research studies will continue. And nothing seems impossible.

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THE RUSH TO THE SUBURBS

It's Changing City Life Everywhere

Now, for the first time, you get an official measure of the mushrooming growth of the suburban communities around big cities.

That growth is even greater than most people imagined—27.8 per cent in five years. This has happened in a period when cities almost were standing still, rural areas were losing population.

A whole new pattern of growth is developing in U. S.

The tremendous growth of the suburbs—they seem to most Americans to be springing up under their noses—now is confirmed officially. From latest Census Bureau figures, these facts are clear:

- Of a total U. S. population gain of more than 11.8 million in the last five years, suburbs of 168 cities have accounted for more than 9.6 million. Since 1950, the suburban population has soared by 27.8 per cent.
- Big cities have all but stopped growing. Their increase has amounted to a mere 1,888,000, or 3.8 per cent.
- Small towns are little more than holding their own, with a 5 per cent, or 1,150,000, increase.
- Rural population is falling. It's dropped 1.9 per cent in the five-year period.

Major factor in the rural decrease was an 11.6 per cent drop in farm population.

For every new resident gained by major cities since 1950, the cities' outlying areas have added more than five. Right now, the suburbs are within about 7 million of overtaking the cities in population.

This mass migration of families to the fringe areas around big cities will continue at about as rapid a pace for the next few years, and even pick up momentum in many sections, local planning boards predict.

Reports from metropolitan areas throughout the nation, gathered by *U. S. News & World Report*, point up this forecast. Planning specialists in at least a dozen big cities say that, in the next five years, they expect their suburbs to increase in population about four times as fast as the cities themselves. This compares with a suburban growth since 1950 that has been 3.2 times as rapid as that shown by these cities.

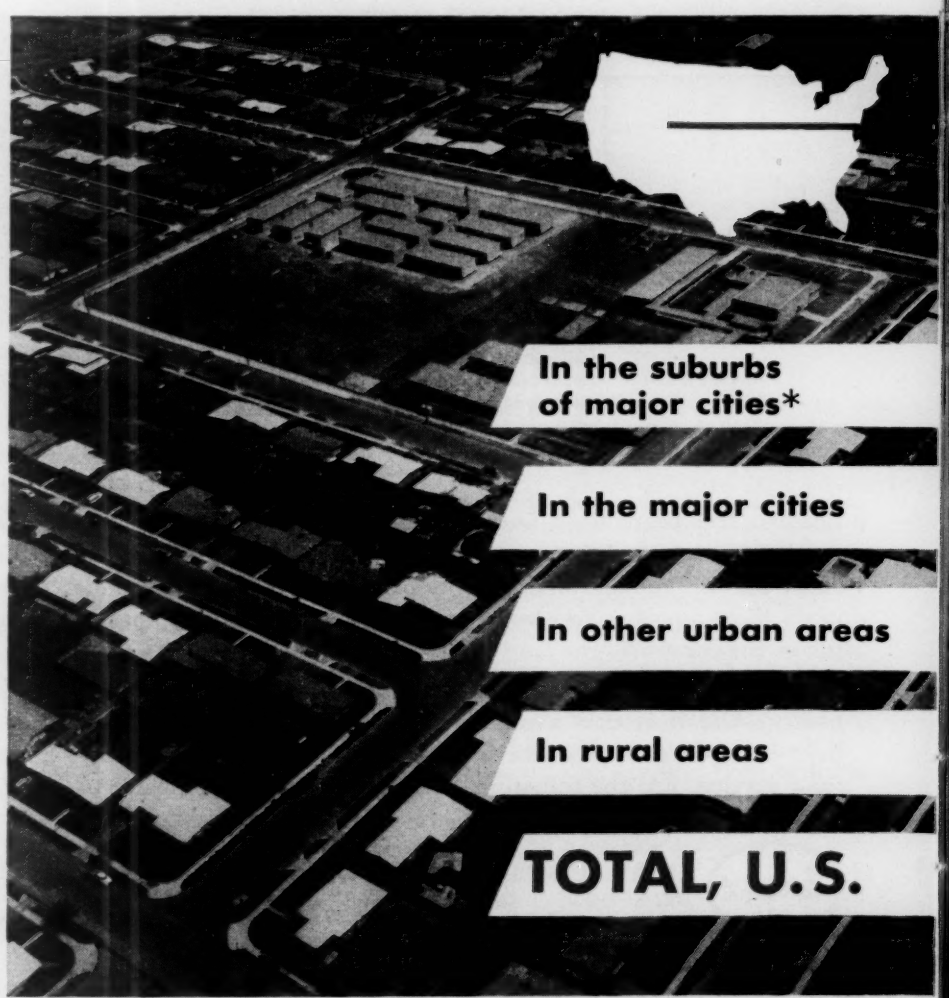
How cities are feeling the effects of the swing to the suburbs is shown clearly in the survey.

Manhattan, the hub of New York City, has had no net gain in the last five years, while the population of the whole metropolitan area has risen by nearly 1 million. By 1975, officials say, 19.2 million will live in the city and its suburbs, but 86 per cent of the growth will be in the fringe areas.

Businessmen are concerned because the outflow from Manhattan is mostly of middle-income families, many of which are being replaced by low-income households. Surveys show that the newcomers, mostly nonwhites, often are unable to carry their share of the tax load or to buy as heavily as those moving away.

In the last five years, Chicago's suburban population has gone up by 17.3 per cent; the city's, only 4.6 per cent. The trend is reflected in construction figures, which show that, of 200,196 dwelling units built in and around Chicago from 1950 through 1954, some 140,000 were in the outlying areas. Like New York businessmen, Chicago store executives are complaining that low-income families are moving into the city as middle-income people move out.

On the West Coast, the movement to the suburbs is even more pronounced. New communities springing up around



Source: U. S. Census Bureau

Photo: USN&WR

the San Francisco-Oakland area have shown a 27 per cent hike in population in the last five years, against 4.4 per cent for the cities themselves. Los Angeles, fastest-growing metropolitan area in the nation, finds the bulk of its increase outside the city line.

No matter where you look, you find suburbs mushrooming. Around Dayton, Ohio, they're growing more than six times as fast as is the city. While Kansas City has been adding 33,000 new residents, its suburbs have increased by 62,000. For Minneapolis-St. Paul, the five-year pattern of growth shows a 5.8 per cent gain in the cities, 14.8 in the outlying areas.

You get the same story, with differences only in degree, from Philadelphia, Oklahoma City, Denver and dozens of other cities, from coast to coast.

Downtown—headaches. For municipal officials, worrying over lost tax revenues as families move away, this all adds up to a king-size headache. And, for city merchants, the problem is equally serious, as customers move out to the land of lawns and space. Just how serious the boom in suburban retail sales is becoming for merchants in the heart of big cities is pointed up in another Census Bureau report.

Comparing 1954 business conditions in and around Washington, D. C., with 1948, the Bureau found that the capital's suburbs were—for the first time—selling more food, gasoline, lumber, building materials, hardware and farm equipment than the city itself. While in 1948 the city accounted for three quarters of all retail trade in the area, in 1954 Washington's share had dropped to 60 per cent and the outlying area's had risen accordingly.

Looking at the picture from another angle, you find this:

In the period covered by the Government survey, Washington's retail trade rose by a scant 10 per cent. By contrast, trade in adjoining Montgomery County, Md., soared by 129 per cent; in Prince Georges County, Md., 137 per cent; in Virginia's Fairfax County, another Washington suburb, 174 per cent; Arlington County, Va., 93 per cent, and, in the suburban communities of Alexandria and Falls Church, Va., by 68 and 313 per cent, respectively.

What this means to merchants is this: Total retail sales have increased by 555.5 million dollars in the Washington metropolitan area in those years. But suburban merchants have accounted for $440,605,000 of the increase, leaving a gain of $114,914,000 for stores and dealers in the city itself.

The blossoming suburbs. That same story is being unfolded around virtually every important city.

Millions of dollars are being spent to build suburban shopping centers as merchants rush to keep up with their migrating customers. Suburban-store executives report more and more housewives are doing all their buying, including heavy household equipment and furniture, in outlying stores.

Downtown dealers say stores that open fringe-area branches find sales volumes booming; many who stay put in the heart of the city are barely holding their own despite campaigns to coax suburbanites back into town to shop.

One suburban shopping center outside

Where U. S. Is Growing—
MAINLY IN THE BIG-CITY SUBURBS

Figures cover civilian population

1950 Population	1955 Population	Change in Last Five Years		
34,660,700	44,281,000	UP by	9,620,300	or 27.8%
49,135,000	51,023,000	UP by	1,888,000	or 3.8%
23,067,000	24,217,000	UP by	1,150,000	or 5.0%
42,771,000	41,940,000	DOWN by	831,000	or 1.9%
149,633,700	161,461,000	UP by	11,827,300	or 7.9%

*168 largest metropolitan areas.

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[continued]

THE RUSH TO THE SUBURBS

of Dallas has shown a 590 per cent jump in sales, and a hike in the number of shops from 18 to 80, in five postwar years.

In New York, where one of the oldest department stores was forced to close its downtown doors because of loss of customers to suburban areas, a survey shows 110 new branches have been opened in outlying communities by department stores and specialty shops with main stores in the center of the city. Federal Reserve Board surveys show department-store sales dropping as much as 6 per cent in Brooklyn, Manhattan and Newark in an eight-year period. In that same time, suburban volumes have shown a rise of 15 per cent.

Counterattacks. Here and there, some merchants tied to downtown areas are fighting back. Instead of building suburban branches, they are trying other ways of keeping customers. Chicago's better-known State Street stores are investing heavily in modernization and improvement. In San Antonio, one top department store is running a miniature railroad train to carry customers from a parking lot to the store entrance.

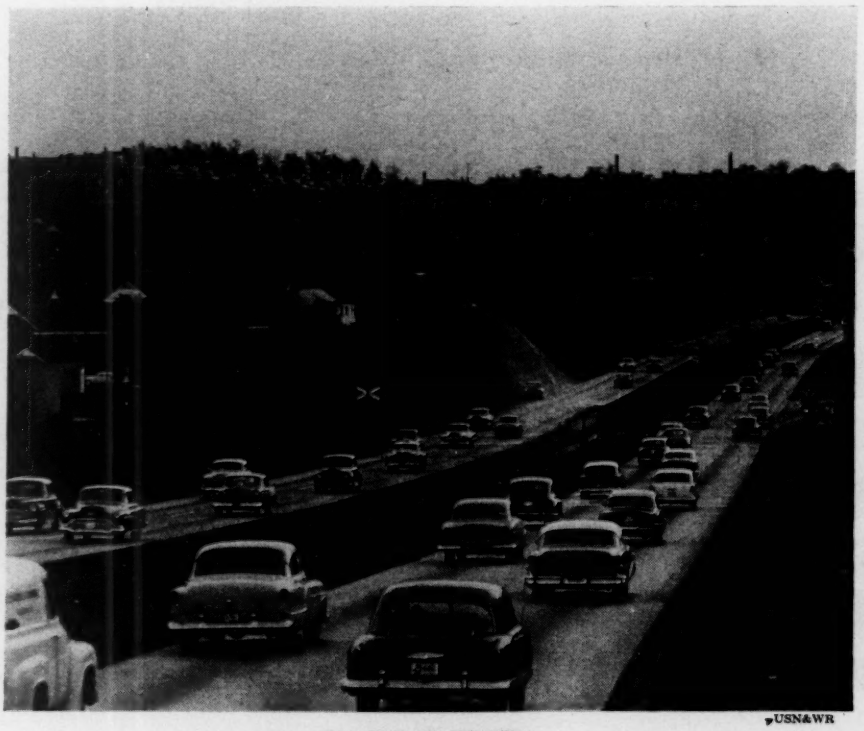
Other plans are being tried. In some cities merchants are banding together to offer free rides home for shoppers by paying their carfare. Bigger off-street parking lots are being built to compete with suburban facilities. But, far and away, the big move is to keep up with the customer by building modern branch stores, with parking facilities, in the suburb where he makes his new home.

A spur for demand. Other effects, important to the whole economy, flow out of the growth of suburbs.

As these communities spring up, demands are created for new facilities of all kinds. Besides the multimillion-dollar investment in shopping centers, schools are being built, sewer and water lines installed, municipal buildings erected, fire trucks and police cars purchased. In short, economists point out, where these same families would merely have added new burdens on old facilities if they had remained in the cities, they are forcing the creation of new plants to serve them in the suburbs.

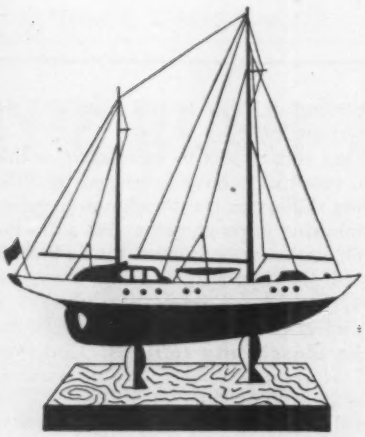
This means billions in new investments. And economists say that, as long as the fringe areas keep booming, and demanding new facilities, the building boom will be fed by the pouring of dollars into suburban construction of all types, public and private.

In other ways, too, the millions of new suburbanites are changing the country's economic pattern, studies by business and



▼USN&WR

ON THE OUTSKIRTS
From traffic to home building, everything's booming



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the Government show. Most new communities are populated largely by young married couples with children—families with large demands not only for day-by-day purchases, but for major appliances, furniture, clothing, cars.

In fact, recent sharp increases in the number of families owning cars and in the number of two-car households are being credited in part to the suburban migration.

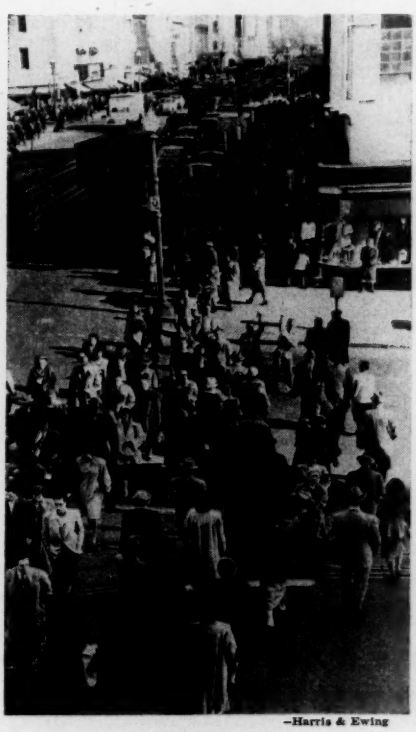
Government figures show that in 1949 there were 2.2 million two-car families in the U. S. Now there are 5.3 million such families and the number continues to grow.

Automobile manufacturers say one reason is that one-car families moving to outlying areas find they can put a second car to good use; the breadwinner uses one to drive to work or to the bus stop, and his wife uses the other for shopping and running errands.

Ahead: good business. Add it all up and you get these conclusions:

Suburbs are growing like weeds, while cities have had only a much slower growth and rural areas actually have lost population. Suburbs' rapid expansion is bringing serious problems, especially for big-city officials and merchants.

Suburban expansion is also bringing new demands for all kinds of goods and services. Merchants who are finding the key to their share of this expanding market are confident they will enjoy high-level business for years to come.



—Harris & Ewing

IN THE CITY
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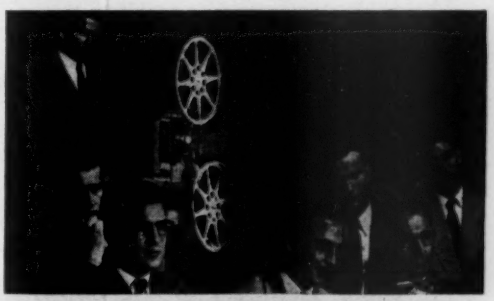
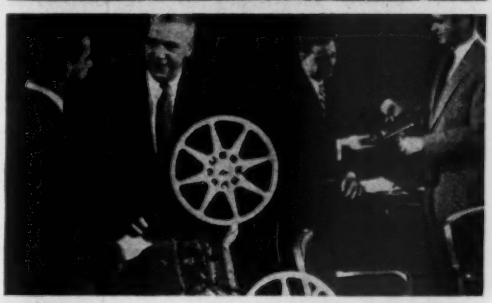
add range to communications

General Mills, Inc., knows the importance of good communications with employees, customers, and all people. So they use 16mm. motion pictures in employee training, and also furnish company films to schools, clubs, and the general public. All increase the stature of the company.



stimulate salesmen

Thor Power Tool Co. takes distant distributor salesmen on a "tour through the plant" by showing 16mm. movies in regional sales-training meetings. Because the show builds understanding and enthusiasm among the salesmen, sales performance is improved—best of all, at low cost.



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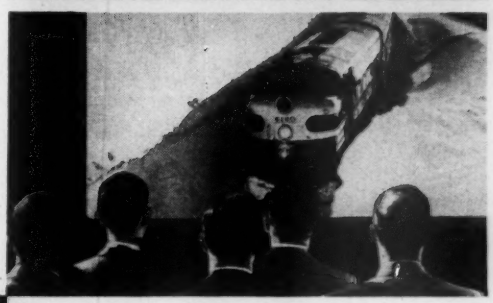

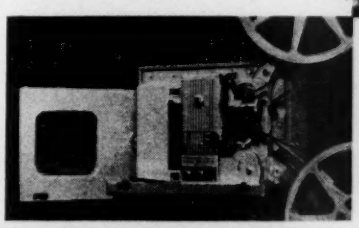

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Report From Geneva—

HERE'S WHAT REALLY HAPPENED WHEN MOLOTOV GOT TOUGH

Three members of the Board of Editors of *U. S. News & World Report* at Geneva got together to pool their impressions after watching the U. S., Britain and France trying to do business with Russia's V. M. Molotov.

The result is the following candid, firsthand report.

What they wrote was not intended primarily for publication. It was cabled for the information of the Washington staff.

The report—made by Charles Foltz, Jr., Robert Kleiman and Kurt Lachmann—is reproduced here for its revealing picture of how Molotov operates.

GENEVA

To find out what Soviet policy really means by the "spirit of Geneva" watch one man—Russia's Foreign Minister V. M. Molotov.

That's the advice of top Western statesmen who came to grips with the Russian bargainer here for the first time since the high hopes of the Geneva Summit Conference where President Eisenhower met with the leaders of Britain, France and Russia. When you ask, "What's new about Molotov?" you get the answer, "Oh, he's pretty much the same—but so is Soviet policy."

Molotov enjoyed himself immensely at the Foreign Ministers' Conference. At the Summit meeting, even while party boss Nikita Khrushchev and Premier Nikolai Bulganin smiled and acted conciliatory, Molotov fought, glowered and delayed. At this meeting he did the same thing, using tactics for which he is famous—behaving like a wrecker out to destroy the "Geneva spirit."

What Molotov said here gave Western diplomats a clearer picture of what the Soviet Union will and will not do than they had received at any previous conference. It is not a cheerful picture.

Slamming the door. Molotov's big play this time came after he made a trip to Moscow and returned with hints that he might have more acceptable proposals. Instead, he hit the West with a speech denouncing it for trying to create a Germany ruled by "monopolists, Junkers, militarists."

—United Press

THE BIG FOUR FOREIGN MINISTERS
Molotov's game: to drive a wedge among Western powers

What Molotov did here was to slam the door on reuniting Germany through a free, all-German election—the door the Russians left open at the Summit. He tried to show the West Germans that only Russia can give them unity in the long run, so they'd better ditch the West and deal with Moscow.

What Molotov wants is this:

A divided Germany suits Russia fine. While the Western Allies talked about a united Germany, Molotov talked about expanding co-operation between the two parts of Germany.

A Communist East Germany suits Russia, too. That means no free elections. Soviet Russia has no free elections and what's good enough for the Soviet Union is good enough for anybody. Molotov said as much.

Status quo in Europe is quite satisfactory for Russia now. Every move Molotov made here was based on a policy of retaining the existing frontiers between the Soviet empire and the West.

A European security treaty would be nice, in Molotov's view, if it could be used to wreck the North Atlantic Treaty Organization and get American troops out of Europe. Not otherwise.

Disarmament, Soviet style, would be nice. The kind that Molotov wants, however, leaves the Soviet Union with superiority in arms and manpower in Europe and contains no acceptable provision for inspection or control.

How Molotov worked at Geneva this time varied little from his previous performances. In the first place, you can't be-

(Continued on page 50)

—Hesse in the St. Louis *Globe-Democrat*

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[*continued*]

WHEN MOLOTOV GOT TOUGH

lieve anything he says. This is the way one Western official put it in an off-the-record comment:

"The trouble with negotiating with Molotov is that he lies all the time. He will say, for example, that the sun is shining brilliantly outside. You reply that's impossible because it is 10 o'clock at night. Molotov, next time around, says, 'With the sun shining brilliantly outside, etc. etc.' You open the shutters and say, 'Look outside, Mr. Molotov, it's pitch dark.' And Molotov replies, 'Nevertheless, the sun is shining brilliantly.'"

Stalling by Molotov highlights every conference, and this one was no exception. The Western powers presented their proposals for European security and a reunited Germany on the first day, but Molotov began stalling immediately by refusing to have this first item on the agenda even discussed until the next day. Then Molotov presented only half of the Soviet proposal—the part dealing with European security. It took him another week, under constant needling by the Western Foreign Ministers, to present his proposals for Germany.

Exploiting differences among his opponents is a Molotov specialty, too. Whenever he sees, or thinks he sees, any difference among the views of the U.S., Britain and France, Molotov pounds away, seeking to widen the crack in Western unity. At this conference he raised the disarmament proposal that Britain's Prime Minister Sir Anthony Eden made at the Summit Conference—which Molotov knew both the French and Americans oppose.

Reneging, distortion. Backsliding on previous agreements accented Molotov's performance here, as at other conferences. "It always takes weeks to get Molotov back to the point where we left him at the previous conference," said a high Western statesman. When Molotov did submit his proposals for Germany they contained no provision for German reunification or free elections. He paid lip service to both, but his proposals ignored them.

Distorting what others propose is another favorite trick of Molotov. Here, as elsewhere, he said the Soviet Union was ready to accept proposals made by one of the Western leaders—then proceeded so to distort these proposals that they came out almost the opposite of what was originally proposed.

For example, take Molotov's "agreement" to negotiate a European security treaty immediately before proceeding to the question of Germany. This, he said, was agreed to by the Western powers at the Summit Conference—whereas he knew full well the Western powers only offered to negotiate the treaty on condition that the Soviet Union agree to negotiate the unification of Germany, with free elections as a provision.

Befuddling the issue delights Molotov. A long time ago at Berlin, Sir Anthony Eden—then Britain's Foreign Secretary—proposed a plan for free elections

–United Press

AT THE SUMMIT, BULGANIN AND KHRUSHCHEV SMILED
. . . but Molotov still glowered

in Germany. As Prime Minister at the Summit Conference, Sir Anthony made two proposals—one involved thinning out military forces on both sides of a line east of a reunited Germany; the other involved a plan for the reduction of forces and was submitted under the disarmament question. This last ignored the question of whether Germany was reunified or not.

Molotov played on these three Eden plans here in this Conference, producing such distortions that he succeeded in confusing many delegates and kept Britain's Foreign Secretary Harold Macmillan jumping to his feet with explanations—which Molotov then used to confuse things further.

Patience is a major weapon for Molotov. Secretary of State John Foster Dulles marshaled massive legal and procedural arguments. France's Foreign Minister Antoine Pinay hammered at the emotional point that Frenchmen had reason to fear the Germans but found the Western proposals for handling Germany the best for security. Mr. Macmillan pressed his own attacks on Molotov with biting wit and logic. Through it all, Molotov merely sat and listened, and when he spoke he calmly ignored the main points everybody else had made.

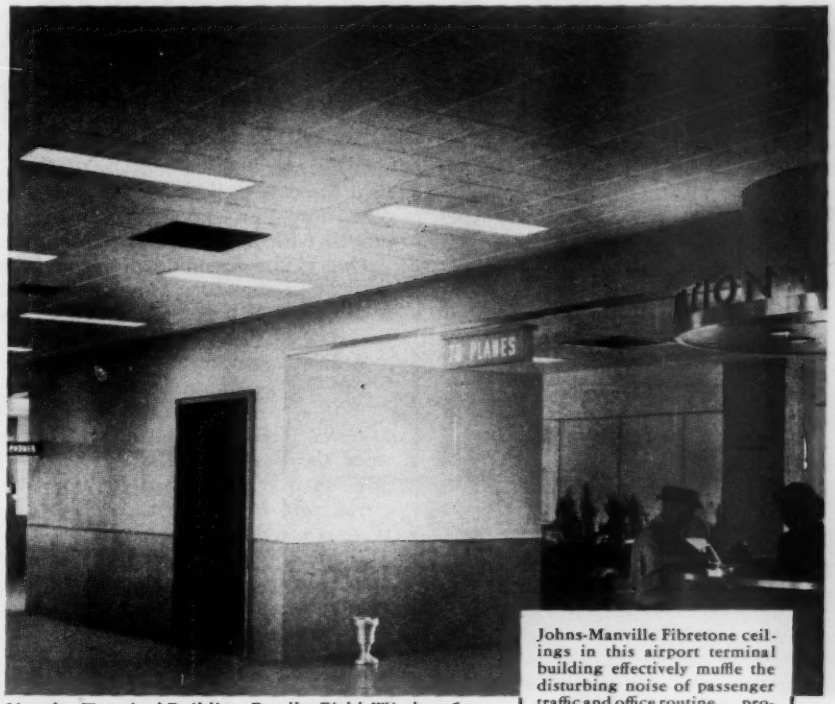
Blocking tactics are particularly useful to Molotov and for Soviet Russia. He who blocks can unblock. By refusing to follow procedural lines already agreed to, by blocking agreements even when two points of view seem close, Molotov lays the groundwork for "concessions" that he makes when he's good and ready. Also, he brings the other side to him constantly with requests to unblock—so that by the time Molotov does agree to go ahead with negotiations it looks as if he has made quite a concession.

That's the key to the basic Soviet policy on Germany. By blocking German reunification, Molotov shows the West Germans that only Moscow can give them a united Germany, thus seeking to woo the West Germans away from the West.

What makes Molotov tick the way he does fascinates Western experts on Russia. Politically, he is expendable and no longer considered a candidate for leadership like Khrushchev and Bulganin. But the Kremlin took prompt action to reinforce Molotov's position as top Soviet bargainer during this conference.

Hero or scapegoat? There is speculation galore about Molotov's future. His stubborn attack on the West has brought forth the theory that the Geneva Conference could be his swan song—the last chance to see what he can squeeze out of the West by the old Molotov methods. If the Soviet Union gets the blame for killing the "spirit of Geneva,"

(Continued on page 52)



Murphey Terminal Building, Bradley Field, Windsor, Conn. Thompson and Barnum, New York City, Architects

Johns-Manville Fibretone ceilings in this airport terminal building effectively muffle the disturbing noise of passenger traffic and office routine . . . provide an atmosphere of relaxing, unhurried quiet.

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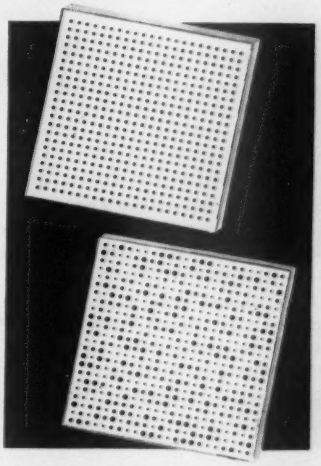
For both new and existing buildings, Fibretone offers an acoustical ceiling which is highly efficient yet modest in cost. It consists of 12" square panels of sound-absorbing materials in which hundreds of small holes have been drilled. These holes act as "noise traps" where sound energy is dissipated. Fibretone is predecorated, can be painted and repainted, and is available with a flame-resistant finish.

For a complete survey by a J-M acoustical expert, or for a free book entitled "Sound Control," write Johns-Manville, Box 158, Dept. US, New York 16, N. Y. In Canada, write 565 Lakeshore Road East, Port Credit, Ontario.



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See "MEET THE PRESS" on NBC-TV, sponsored on alternate Sundays by Johns-Manville

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THE WELL-HEDGED ESTATE

It was a beautiful vineyard, but the stupid young heir couldn't stand the hedge that surrounded it. He complained bitterly that it couldn't possibly bear grapes—and finally had it torn out to make room for more vines.

Suddenly helpless before the ravages of man, beast, and nature, his entire vineyard was quickly destroyed.

In other words, Aesop thought that protecting your property was at least as important as possessing it—which is just how we feel about it, too.

Particularly when we see some widow for example, with a portfolio of perfectly sound common stocks begin to lose her perspective.

She starts out to protect her principal, selects the best investment stocks she can find, and is more than satisfied with a return of 4% or so on her money.

Then the market goes up . . . she has modest profits in addition to her dividends—but she keeps hearing about stocks that move faster—and farther.

So over a period she begins shifting her funds into more and more speculative stocks, gradually tears down the hedges that protect *her* estate.

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[*continued*]

WHEN MOLOTOV GOT TOUGH

then Moscow could make him the scapegoat, drop him and ask for a new approach with a new Foreign Minister.

One of the Kremlin's problems in any thought of replacing Molotov is picking a successor. You hear these names mentioned:

A. I. Mikoyan, an old Bolshevik, member of the Presidium and a sharp trader.

Andrei Gromyko, Deputy Foreign Minister. He has come a long distance since the days when he was the Soviet "No" man at the United Nations. Westerners find him more relaxed now, and more ready than Molotov to crack a joke.

Jacob A. Malik, a former Deputy Foreign Minister and a career diplomat with much experience in the West.

G. M. Pushkin, Soviet Ambassador to East Germany.

S. A. Vinogradov, Soviet Ambassador to France.

Dmitri T. Shepilov, the editor of *Pravda*.

Symbol of Soviet view. But, whether he holds the office of Foreign Minister or not, Molotov's place as an operator of Soviet foreign policy seems secure. There were some signs at Geneva that once again he was a man taking orders from Moscow, as he did under Stalin. As an "operator," none of those mentioned as successors—with the possible exception of Mikoyan—can touch Molotov.

The sad fact to Western leaders is that the Soviet view of the "spirit of Geneva" as it was shown here is symbolized in the person of Molotov. He is a man who has clung to power for 38 years—30 of which he spent subordinating himself completely to Stalin. Now it seems that by subordinating himself just as completely to the ruling clique in the Kremlin, Molotov remains the personification of Soviet foreign policy—the policy of driving its way to world rule, with smiles or without.

V. M. Molotov can play it either way.

Three-Power Declaration on Germany And European Security

Following is a joint declaration by Foreign Ministers of the United States, United Kingdom and France issued Nov. 16, 1955, at the close of the Geneva Conference:

At Geneva, the Foreign Ministers of France, the United Kingdom and the United States of America tried to reach agreement with the Soviet Foreign Minister on what the Four Heads of Government in July agreed were the closely linked problems of German Reunification and European Security. To this end they made a proposal for the Reunification of Germany by free elections in 1956 and for a Treaty of Assurance giving the Soviet Union far-reaching safeguards against aggression when Germany was reunified.

Marshal Bulganin in July had agreed that the Reunification of Germany was the common responsibility of the Four Powers and should be carried out by means of Free Elections. The Soviet Foreign Minister, however, despite the Directive of the Heads of Government, made it plain that the Soviet Government refused to agree to the Reunification of Germany since that would lead to the liquidation of the East German regime. He made counterproposals which would have involved the continued division of Germany as well as the eventual dissolution of the Western security system. It is for this reason that the negotiations have failed.

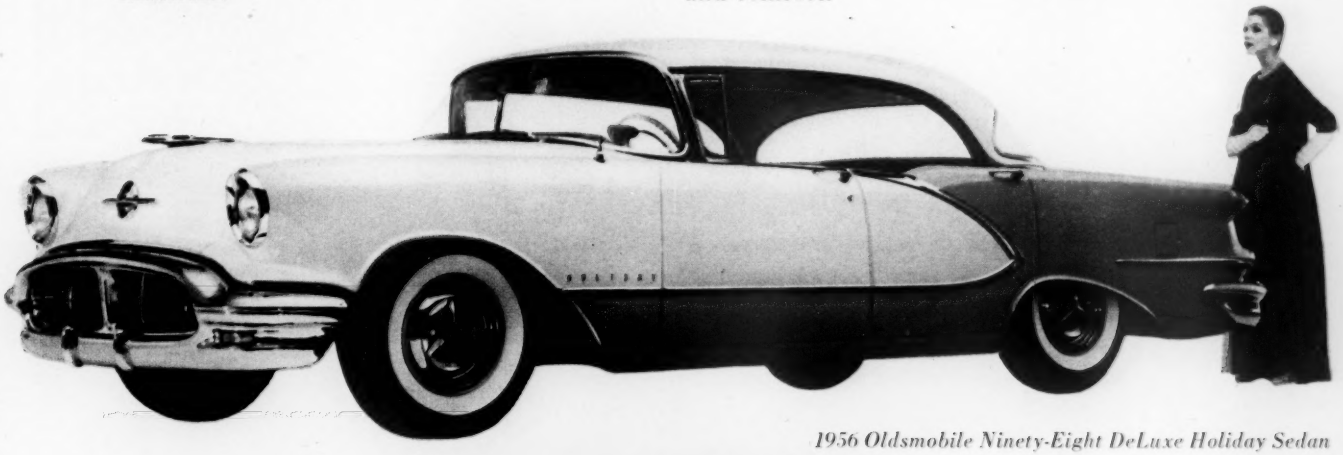
The Foreign Ministers of France, the United Kingdom and the United States of America are aware that this result must bring a sense of cruel disappointment to the German people, East and West of the zonal border which now unjustly divides them. However, the three Foreign Ministers believe that the Soviet Government will come to recognize that its own self-interest will be served by ending the injustice of a divided Germany. They believe that the Soviet Government will realize that so long as it persists in withholding unity from the German people, thus perpetuating the division of Europe, there can be no solid security in Europe, nor indeed in the world.

The three Western Powers will themselves not cease their efforts to end the injustice and wrong now being done by dividing the German people and will continue to stand ready to contribute to the security which can be enjoyed by all only when Germany is reunified.

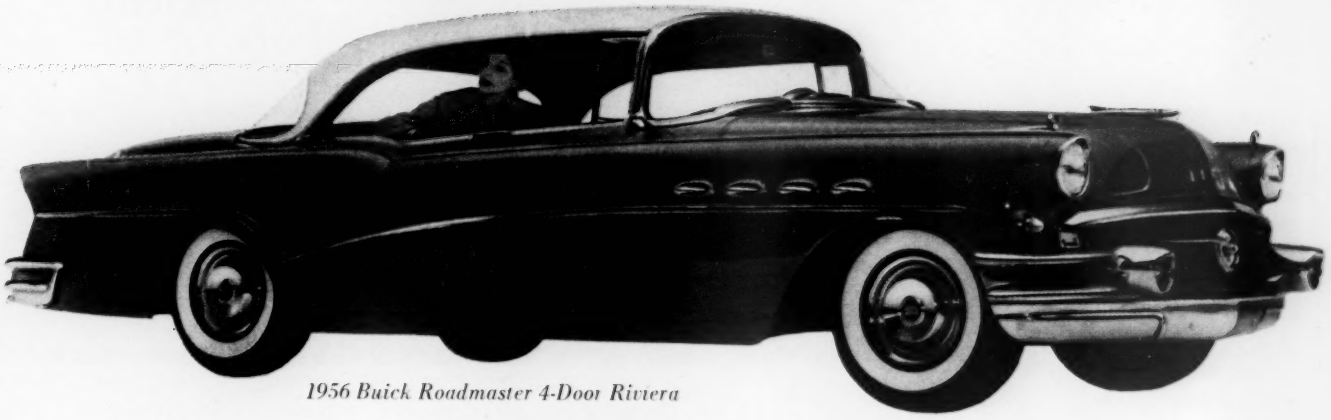
fashion foreword for '56

THESE photos prove our future-minded stylists—originators of the panoramic windshield and the 4-door hardtop — again make styling history in our thrillingly, beautiful new '56 Oldsmobiles, Buicks and Cadillacs.

And our engineers have also topped their former triumphs. Higher-compression engines with more power and efficiency team with notable advances in all other GM-engineered contributions to superior performance, safety and comfort.



1956 Oldsmobile Ninety-Eight DeLuxe Holiday Sedan



1956 Buick Roadmaster 4-Door Riviera

1956 Cadillac Sedan de Ville

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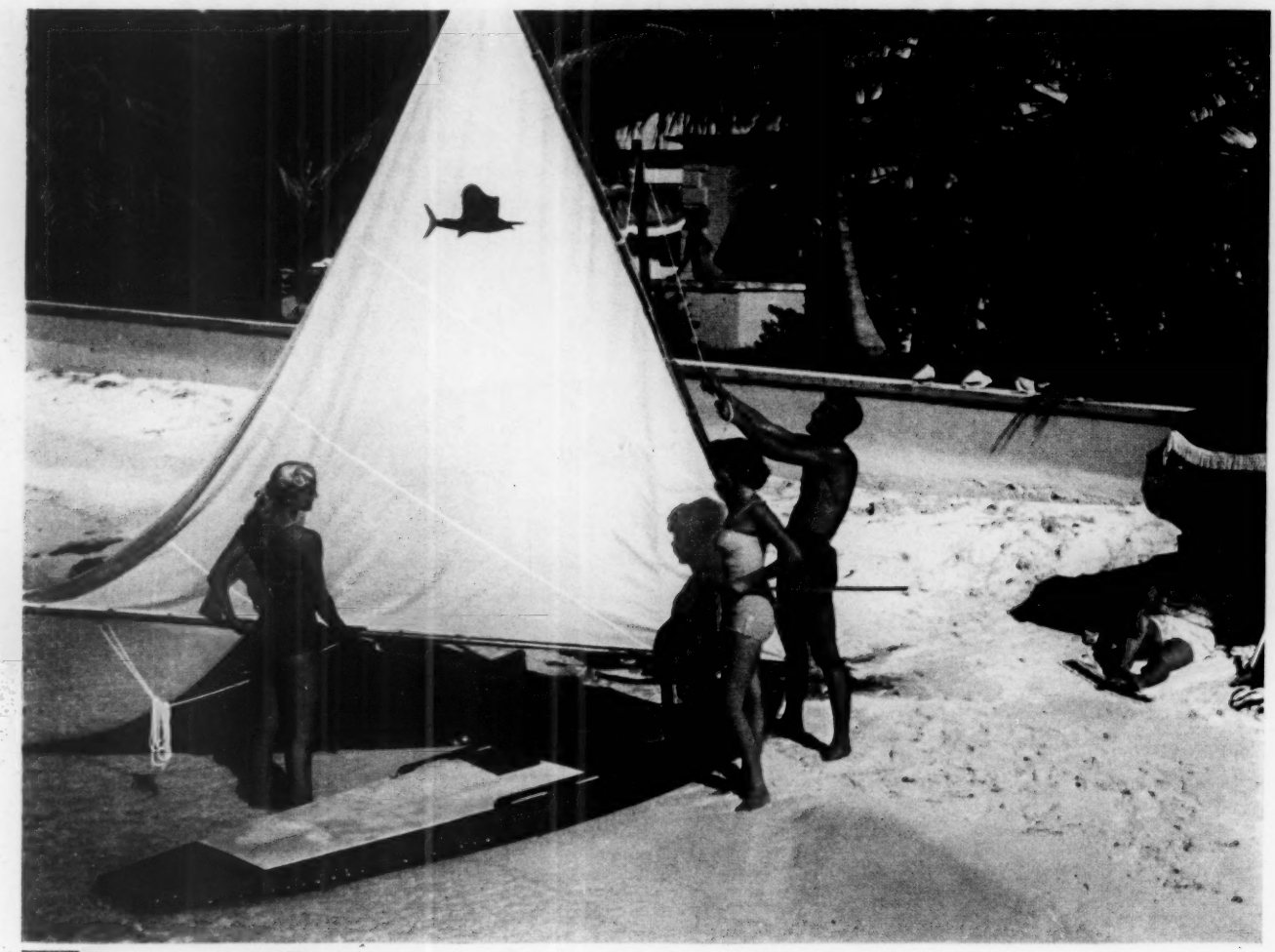

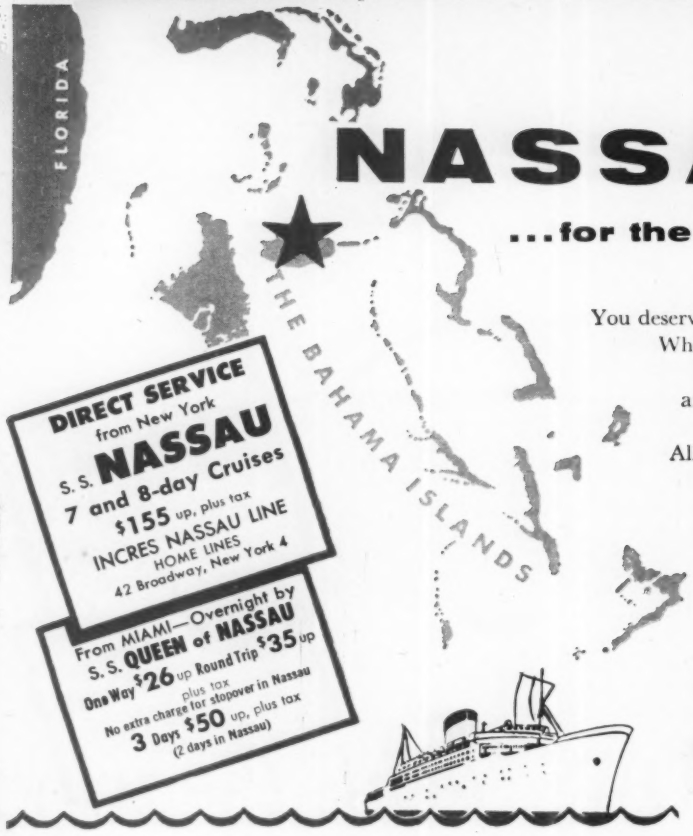

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THE MAN ... Adlai Stevenson

THE NEWS ... Fight on His Hands

The Candidate "to Beat"— Several Will Be Trying

Among the Democrats, Mr. Stevenson takes an early lead—but formidable road blocks, a long, hard campaign lie ahead. Here is the situation as the race for the nomination formally opens.

ADLAI E. STEVENSON has opened the 1956 presidential campaign with a forthright announcement of his candidacy. He is the first to declare himself in the race.

This time, Mr. Stevenson, who hesitated in 1952 until the Democratic nomination was dumped into his lap, is off to an early and flying start. Most politicians agree that he is in the lead, the man to beat.

Moreover, Mr. Stevenson is ready to fight for the 1956 prize. This is because he must—not because he looks forward to a fighting campaign with any great personal enthusiasm.

Personally, his intimates say, he remains little changed from the modest, somewhat shy candidate of 1952. He still finds it difficult to trumpet his own virtues with the politician's easy zeal.

Party leaders have impressed upon Mr. Stevenson, however, that things will not happen again as they did in 1952, that whoever gets next year's nomination must work for it. He has accepted this verdict.

Plan of action. Mr. Stevenson's friends hardly look for the "give 'em hell" type of electioneering that former President Harry S. Truman would prefer in a Democratic nominee. But they do foresee a continuous, hard-hitting attack.

Behind the candidate, there already is a functioning personal organization. A national organization of citizens favoring Mr. Stevenson is in the making. Among those handling the campaign, professional politicians predominate.

Strategy is to increase the present lead through an aggressive pre-Convention campaign, constantly pile up delegate strength that will bring in the nomination on the first or on an early ballot.

The Stevenson group has many impressive pledges of support from State leaders. But attaining their goal may not be as simple as many of them seem to think. There are numerous obstacles in the way.

Opposition to be met. The expected candidacy of Senator Estes Kefauver, of Tennessee, must be met and disposed of, presumably, in State presidential primaries. Beyond the Senator, there remains the possible candidacy of Governor Averell Harriman of New York.

Southern leaders occasionally have cordial things to say about Mr. Stevenson, but it remains obvious that many of them consider him too "liberal" to suit their economic tastes.

Mr. Truman, who remains a powerful figure among old-line Democratic leaders, has backed away. Where once he was openly for Mr. Stevenson, he now has withdrawn to a position of neutrality.

Then there are intangibles. The fact that Mr. Stevenson was beaten once is being raised against him. He holds no official position that gives him a natural rostrum from which to speak. And, since he is considered to be in the lead, a "stop Stevenson" movement is thought sure to arise at some point.

—Costello in the Albany *Knickerbocker News*

OFF TO A ROARING START
. . . but a long march ahead

The primaries. Since Mr. Stevenson was "not a candidate" for the nomination in 1952, the State presidential primaries were easily avoided. Senator Kefauver entered and won in most of these contests. Mr. Stevenson had hoped to stay out of the primaries again this time, but found he could not.

Nevertheless, the Stevenson strategists are being choosy about which States their candidate will enter. Definitely, he will run in Minnesota. There, whether Mr. Kefauver enters or not, Mr. Stevenson will have the all-out support of the powerful Democratic organization headed by Senator Hubert H. Humphrey.

With such support, few politicians would doubt the outcome. Minnesota Democrats have, in effect, offered Mr. Stevenson the State's 26 Convention votes and he has decided to take them. With Mr. Humphrey running as a favorite son, Senator Kefauver stayed out of Minnesota in 1952, but was given 19,783 write-in votes to 98,704 regularly cast for Mr. Humphrey.

The Stevenson camp is eying other primaries, but reserving judgment. One of them is Pennsylvania, where again Mr. Stevenson has the avowed support of organization leaders in Philadelphia and Pittsburgh. Another is Florida, where, in 1952, Mr. Kefauver lost to Senator Richard B. Russell, of Georgia, but emerged with 5 of the State's 24 Convention votes.

The real Stevenson-Kefauver test apparently is to come in California on June 5. A group of Democrats, claiming Statewide support, already is organizing there for Mr. Stevenson. With only nominal

(Continued on page 56)

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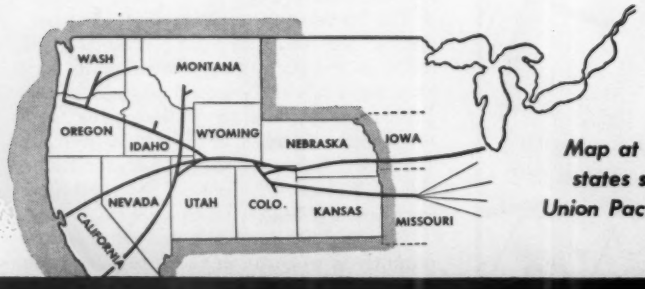
Contact your nearest U.P. representative. Tell him what you have in mind regarding an industrial site to meet your specific requirements. Then he can get in immediate touch with U. P. headquarters in Omaha . . . obtain for you the information you want about available sites.

Or—if more convenient—write, phone or wire the Industrial Properties Department, Room 364, Union Pacific Railroad, Omaha 2, Nebraska.



Map at left shows states served by Union Pacific Railroad

UNION PACIFIC RAILROAD

Mr. Stevenson has made new friends in South . . .

opposition, Senator Kefauver easily won the California primary in 1952 and the State's big block of 68 Convention votes.

If both should enter this time, and many expect them to do so, a rousing contest probably would result, with much damage to the cause of the loser. California political experts decline to predict the outcome. Whether Mr. Kefauver's town-to-town, hand-shaking method of campaigning could be made effective in California remains in question. And there never has been a trial of strength between the two anywhere.

The South. Mr. Stevenson has made numerous trips through the South since his defeat in 1952. He has cultivated Southern leaders who opposed his nomination in that year. Obviously, he has made numerous personal friends among them. There is no indication of such Southern opposition as met him in 1952.

Yet the South still might make trouble. Senator Russell says that the party needs a middle-road nominee, pronouncing Mr. Stevenson, Senator Kefauver and Governor Harriman too far to the "liberal" side. Mr. Russell, the South's candidate for the 1952 nomination, has suggested Governor Frank J. Lausche, of Ohio, for consideration.

In Texas, meanwhile, there are developments not calculated to make the Stevenson camp happy. Senator Lyndon B. Johnson, Majority Leader of the Senate, proposes a coalition movement, in which the Southern and other States might participate, to nominate a "moderate" candidate.

The Senator obviously wants to head off any runaway movement for Mr. Stevenson, prevent an automatic first-ballot nomination. The Senator's proposal notably has failed to catch on among leaders in the Southeast.

Stop Stevenson? President Eisenhower's heart attack was a signal for Mr. Truman and other party leaders to pull back from Mr. Stevenson. Previously they had supported him. With the sudden prospect that the nomination would be much more valuable than supposed, they wanted time to go over the field carefully, pick a sure winner.

Where Mr. Stevenson is too "liberal" for the South, he is too "conservative" to suit Mr. Truman, and the latter dislikes what many consider Mr. Stevenson's lofty method of campaigning. The two talked it over in Chicago not long ago and the frigid manner of both when the conference ended indicated they were no closer together.

Looking over the possibilities aside

. . . Candidate says health is "better than normal"

from Mr. Stevenson, the Truman group found the field rather limited. There was Senator Kefauver, an aggressive "liberal" who campaigns in a style approved by the former President. But the Senator has rubbed the party leadership the wrong way by past investigations that showed links between crime and some Democratic politicians, and by his independent attitude toward the leaders.

Governor Harriman would be more acceptable to the former President. The latter owes the Governor a debt of loyalty for his work in many Truman Administration jobs. Many in the Truman group doubt he could win, however, and, at 65, his age would be counted against him. Politicians sense that much of the steam has gone out of the Harriman candidacy.

Moreover, the South, whatever its reservations about Mr. Stevenson, obviously would much prefer him to either Senator Kefauver or Governor Harriman, would enter no "stop Stevenson" movement built about either. There remains Senator Russell's suggestion about Governor Lausche. The South voting solidly with Ohio and a few other States would make a formidable Convention bloc. But there are doubts that the Governor would enter such a combine.

The candidate. Mr. Stevenson now is 55. In June of 1954, and earlier, in 1952, he underwent operations for the removal of kidney stones. Last July, he was hospitalized by an attack of bronchial pneumonia. Before announcing his intention to run, he had a physical checkup that, he says, showed him in "better than normal" condition for his age.

Since 1952, Mr. Stevenson has made a world tour and an additional business trip to Africa. He has taken time to repair his personal fortunes by practicing law. He has made speeches in many sections of the country to help defray party debts. Last year, he campaigned actively for numerous Democratic congressional candidates, and in return for this service the Stevenson camp hopes it will get the support of a large group of State and local leaders.

Mr. Stevenson remains a worrier, a soul searcher, his friends say, a man who would prefer to be above the strife, but now finds he must get down into it. His intimates add, however, that, once a decision is made about a prospective action, or the language of a speech, he goes directly ahead.

So it is to be with the campaign. At the moment, at least, he has many advantages. It is Stevenson against the field. But the race is to be long and grueling.

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PHOTO REPORT

THE "WHITE HOUSE" MOVES TO GETTYSBURG

A little town of 7,200, once noted only for its historic past, is now the unofficial "capital" of this nation.

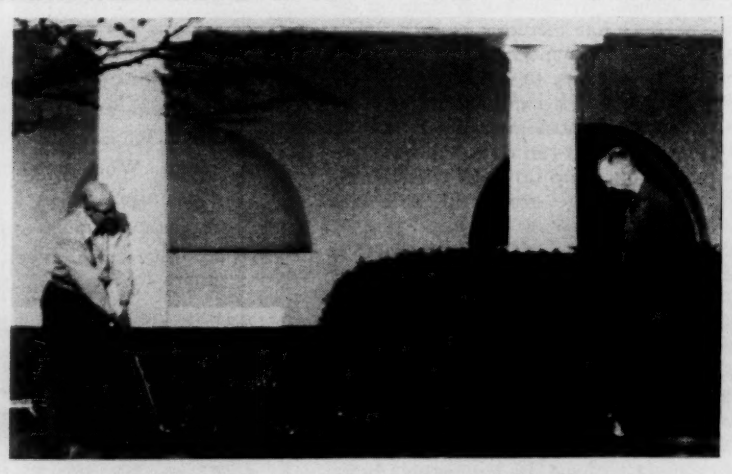
Gettysburg, Pa., for the weeks ahead, will be President Eisenhower's headquarters while he recuperates from his heart attack.

The "White House," during this period, is the farm home that Mr. Eisenhower built as a retirement haven. The presidential office is in Gettysburg post office, 3 miles away.

Told here, in pictures, is the story of a President working his way back to health.

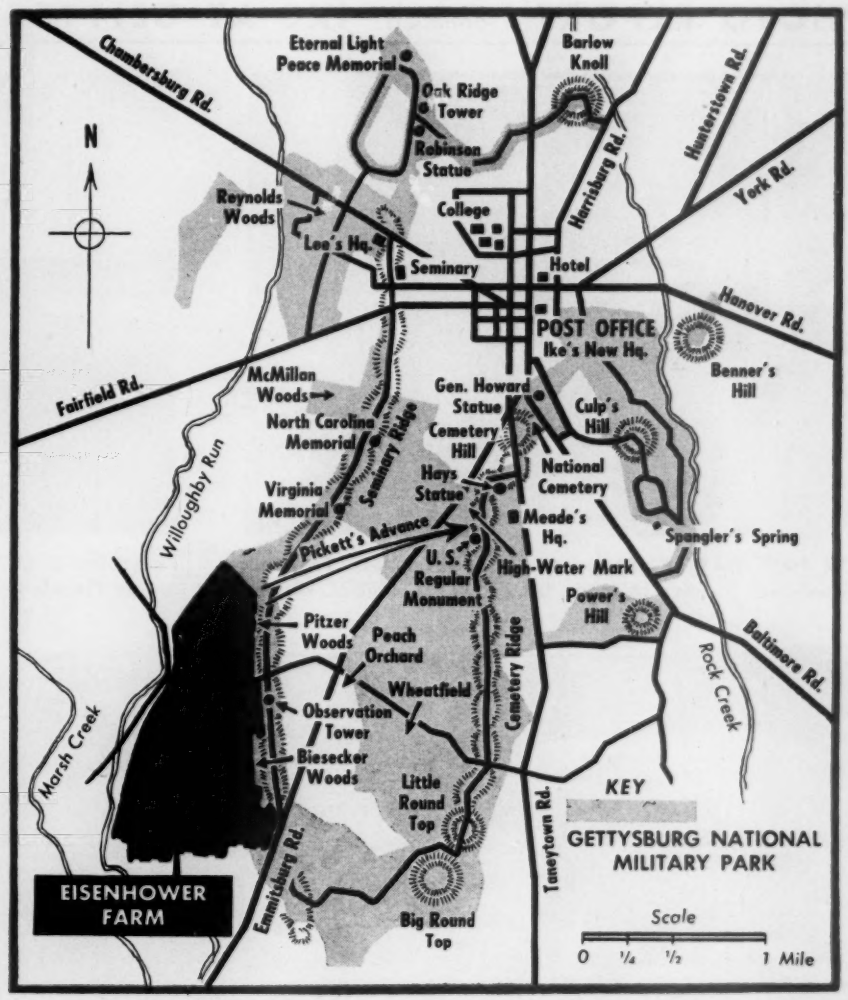
SIGNS OF RECOVERY: GOLFER IKE GETS BACK INTO THE SWING

IKE SWINGS a golf club for first time . . .



. . . since his illness, while son John watches on White House lawn . . .

IKE AND MAMIE receive a warm welcome in Gettysburg as they arrive from Washington. The President greets crowd as "our neighbors."



FAMOUS BATTLEFIELD of Civil War is crossed by President Eisenhower in the daily 3-mile drive from his farm home to his temporary office in Gettysburg.

continued ➡

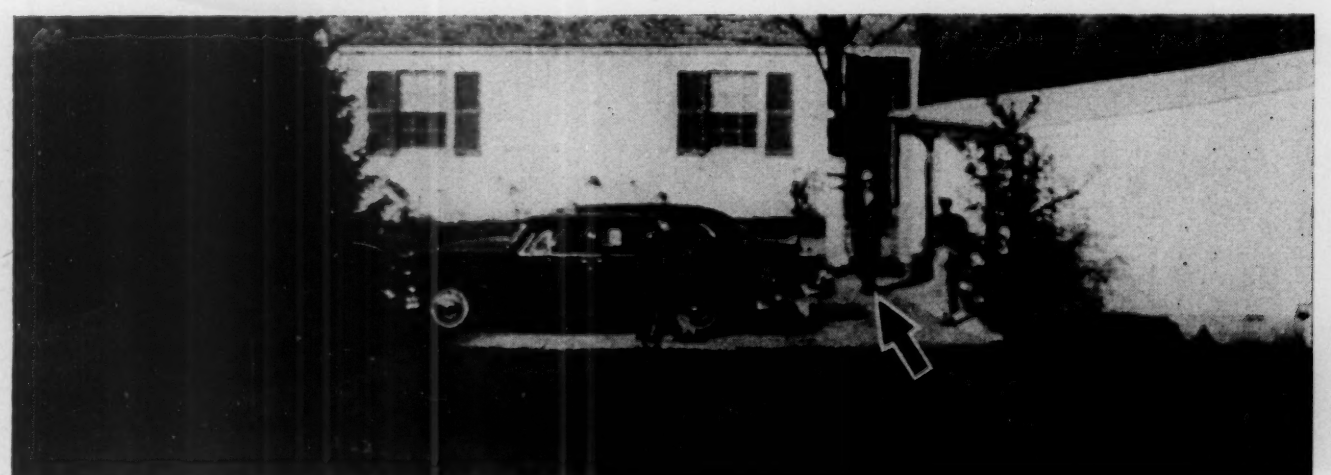
. . . then the President sits down to rest and watch . . .

. . . while John takes his turn with the golf club.

ON FIRST DAY of office work since his illness, President Eisenhower is met at door by group of official visitors.

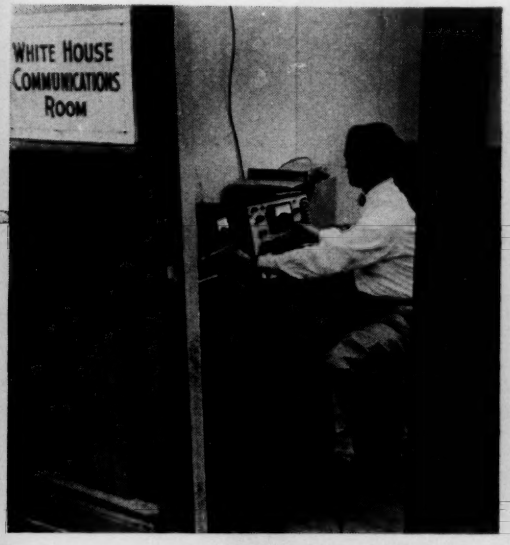
PRESIDENT'S OFFICE in Gettysburg post office. First caller to see President is Secretary of Commerce Sinclair Weeks.

CROWD GATHERS in the street to see the President as he leaves for home after spending a day in his Gettysburg office. Gettysburg's historic Civil War battlefield, just outside the town, now ranks second to Mr. Eisenhower as a tourist attraction.



BACK HOME, farmer Eisenhower (arrow) strolls out to take a look at his Aberdeen Angus cattle. This telescopic picture was snapped by a press-service photographer before cameramen were asked to refrain from taking pictures at long range.

TO SEE PRESIDENT, OFFICIALS FLY—

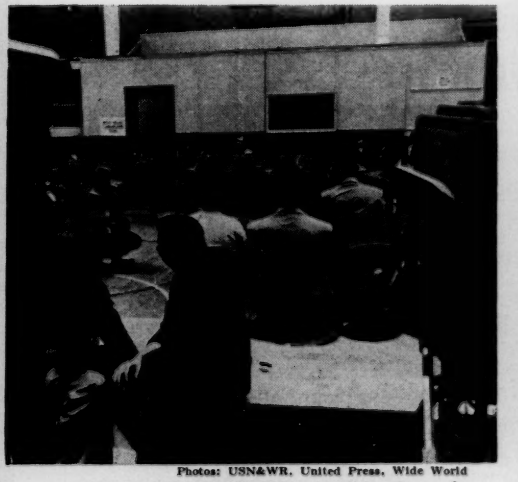


DIRECT LINES keep the Gettysburg office in constant, close touch with Washington.

SMALL PLANE is used to bring official visitors from Washington, because the big presidential plane cannot land on Gettysburg's small airport.

IKE WAVES and smiles at spectators who greet him outside Gettysburg office.

SHERMAN ADAMS arrives by airplane to assume in Gettysburg the same important role that he plays in Washington as the Assistant to the President.



Photos: USN&WR, United Press, Wide World

NEWS CONFERENCE is held by Press Secretary James Hagerty in hotel basement.

BACK FROM GENEVA, Secretary of State John Foster Dulles boards plane for Gettysburg to give his report on results of foreign ministers' conference.

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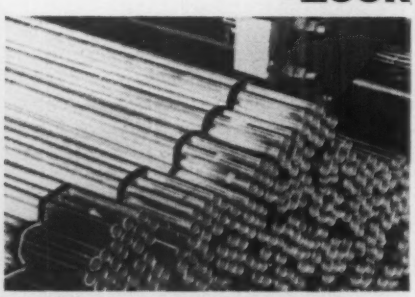
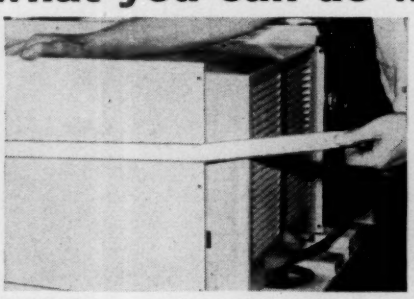
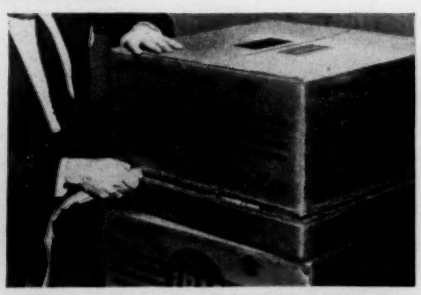


BUNDLE heavy metal pipe or bar stock automatically with "SCOTCH" Brand Filament Tape and automatic applicator. Machine handles up to three bundles a minute; tape holds securely, is easily disposed of.



PACKAGE porcelain or enamel appliances safely with super-strong "SCOTCH" Filament Tape. Above: Tape holds carton filler board to room air conditioner. Can also fasten down accessories, small parts, etc.



WIN customer approval with cartons that "zip open". Tear Strip of "SCOTCH" Filament Tape *inside* the container cuts through board without damaging contents; doesn't weaken container.

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Worldgram®

FROM THE CAPITALS OF THE WORLD

GENEVA....BANGKOK....SINGAPORE....

>> Now that the West has seen what's behind the Soviet smile.....

Fewer Soviet delegations will roam around U.S., picking American brains.

Defense cuts in Europe are more likely to be postponed. Draft cut, planned in Britain, calls for a new look. Tax cuts may be harder to put through.

The Allies--for a while, anyway--will tend to close ranks. Molotov, like Stalin, has a genius for unifying the Allies whenever they're falling apart.

Big question is how long this Allied unity will last. Pressures to cut defense spending and taxes are strong, will grow stronger. Labor shortages in Europe, getting very acute, argue for fewer men under arms. Headaches for Allies are increasing, not disappearing, in Middle East and Far East.

Geneva Conference hasn't rubbed out any of the Allies' problems.

>> Soviet tactics will now add to Allies' problems, strain Allied unity.

Soviet idea is to leap over Allied defense pacts, work behind the lines.

Germans are to be lured and pressured 24 hours a day toward Soviet-German deal. Allied troops in Germany can't stop this kind of Soviet activity.

Arabs are being offered Soviet arms to form anti-Western defense pacts that can outflank the sketchy Allied defense lines in the Middle East.

Europeans will hear that neutrality is safer, cheaper than ties with U.S.

Asians will be flattered with dramatic offers of Soviet economic aid.

Moscow sees many new opportunities ahead, many soft spots to probe.

>> There's a new air of confidence, of cockiness, among top Communists.

Molotov nowadays acts as tough and unyielding as if Stalin were alive.

Kaganovich, Soviet Deputy Premier, has taken to calling this the century of Communist triumph. The U.S., he implies, is on the skids.

Khrushchev and Bulganin, Moscow's head men, feel so confident they have left Russia for a long trip to far-off India, Burma and Afghanistan.

>> And, what may be of more immediate, practical importance.....

Communist air build-up opposite Formosa has reached significant levels.

Communist guerrillas have been making important gains in Southeast Asia while the West has had eyes glued on Geneva and the Middle East. Laos is about to be split in two by the Communists. Thailand is discovering dangerous infiltration by Reds. In Malaya, Singapore, Communists are outwitting the British.

In addition: Chinese Communist troops are preparing to carve off a slice of India, along the Indian border, while India plays host to Soviet leaders.

You get a clear impression now that the leaders of world Communism think things are going very much their way in place after place.

(over)

Split-up of Laos into Communist and anti-Communist areas is well along. Laos--like Korea, Vietnam, Germany--is being divided now for conquest later.

This is how the strategically located land of Laos is being carved up:

Armed Communists have occupied Northern Laos with the help of Ho Chi Minh, Communist boss of neighboring North Vietnam. Negotiations to disarm Communists, to agree on elections in the area have collapsed. Now the Communists dominate 13,000 square miles of Laos, including a 200-mile border with Communist China and a 500-mile border with Communist North Vietnam.

>> Yet, at Geneva a year ago, Communists agreed Laos should be independent.

A truce commission, as in Korea, is policing this 1954 agreement.

The trouble is that this Laotian truce commission works like the one in Korea. Arms smuggling into Laos from China and Vietnam is unimpeded. To date, seven cease-fires have been agreed on. None lasted more than a week.

Truce officials are at loggerheads. Polish members cancel out Canadians, while Indian members, professing neutrality, refuse to make a move.

U.S. aid of 35 million dollars is helping Laos build an Army, but already Communist moves have closed off much of the area the Laotian Army is to defend.

>> Thailand, bordering Laos, asks if it's next on the Communist timetable.

As U.S. ally under Southeast Asia pact, Thailand has a U.S. promise to help when needed. In addition, Thailand is getting U.S. arms aid now.

But, as Thailand's defense chief in Bangkok sums up the outlook:

"Our Army today could not stop any aggressor.

"Our Navy could not even keep our gulf clear of mines.

"I cannot wait for U.S. aid. We shall use our own money to make our Army stronger. I fear Thailand will be divided as Korea and Vietnam are and I believe Thailand is being subverted by our enemy more and more."

Underground Reds, it is being discovered in Bangkok, are getting bolder and more numerous. They get a steady flow of recruits from Northern Laos.

How to halt this flow is something Bangkok hasn't figured out as yet.

>> Communist strategists in Asia are putting Singapore ahead of Malaya in their timetable. Singapore is being softened up for early conquest. Malaya, if Singapore turns Communist, will be under pressure from both North and South.

A Communist Singapore would deprive Britain and U.S. of the best available base for defense of Southeast Asia. Singapore's Communists, as it is, control key labor unions, many schools and half of Singapore's legislative assembly.

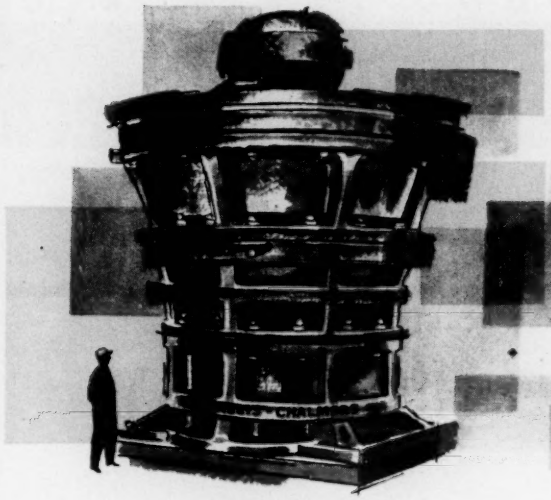
Right now, odds seem to favor the Communists in Singapore.

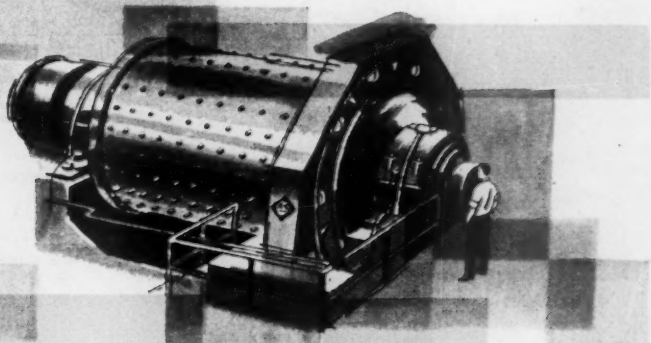
Communist game in Malaya, where British grip is stronger, is different, but also hard to combat. Game--going on for eight years--is to scare Malayans into Communist camp through jungle warfare. Lulls in fighting are used to fool the British into thinking the Communists are ready to deal, talk business.

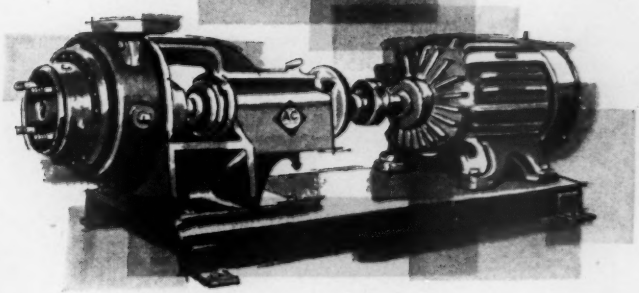
This seems to be the idea now. A Communist bid to talk peace was recently snapped up by British officials. They were all set to deal with Chin Peng, the guerrilla leader, who hides out across the line in Thailand. Prospective deal got quite a build-up in the Malayan press. Then Chin Peng failed to show up.

Result: British officials are embarrassed. Malayans are amused at this British embarrassment and intrigued by the wiles of the mysterious Chin Peng.

You have to score this maneuver as a small but important Communist gain.







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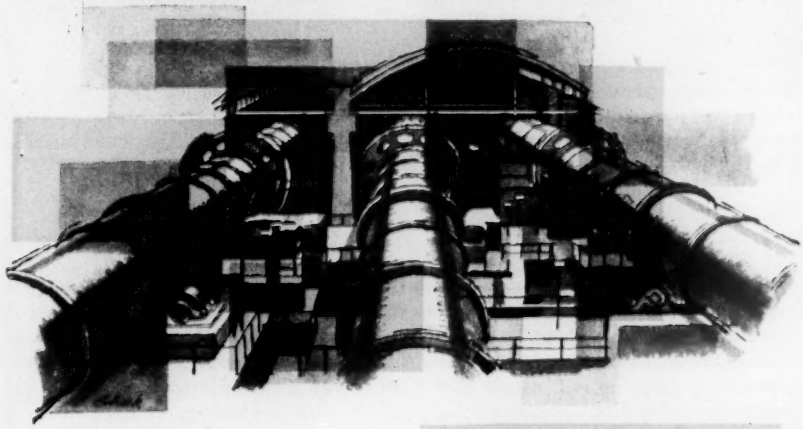

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Allis-Chalmers pumps move solid matter in suspension, acids and liquids of all sorts . . .

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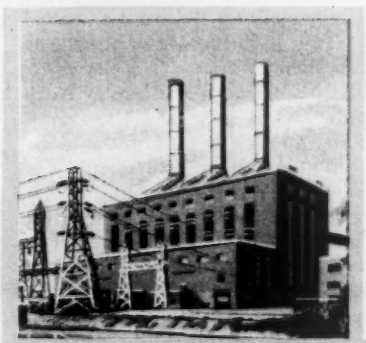
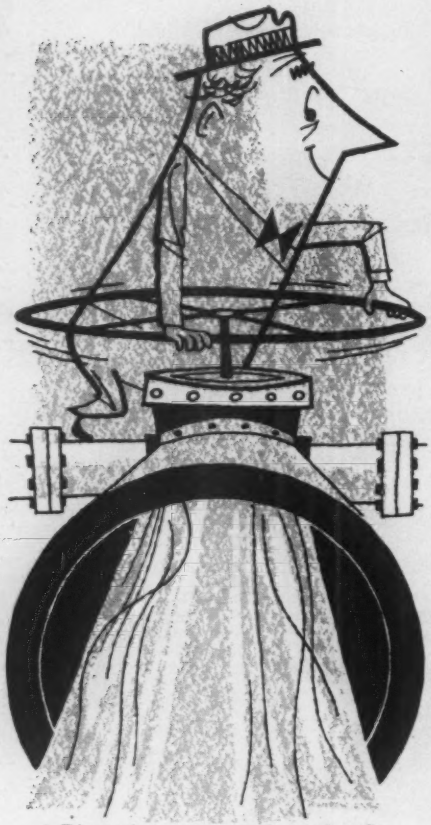


ALLIS-CHALMERS



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Director of Industry
County Board of Trade
SAN BERNARDINO, CALIFORNIA

memo

FROM YUGOSLAVIA

TITO'S HIDEAWAY

BRIJONI—Marshal Josip Broz Tito has aged considerably in the last two or three years—and no wonder. It's been no easy job putting Yugoslavia back on good terms with Moscow and at the same time keeping the confidence of the U. S.

This job has kept Yugoslavia's 62-year-old Communist dictator busy playing host to important visitors from East and West, here on this Adriatic island and in surroundings whose beauty and luxury few rulers anywhere are able to match.

The latest of these visitors was U. S. Secretary of State John Foster Dulles. Tito got out his private speedboat and, with great delight, piloted Mr. Dulles over the Adriatic waters around the island. Only a few months earlier, Tito had given a similar ride to his friends from Moscow—Nikita S. Khrushchev and Nikolai A. Bulganin.

To the Yugoslavs, all of these foreign visitors were men who had seen the error of their ways and had come to Yugoslavia hat in hand, thus telling Tito he was quite right in remaining independent of both Washington and Moscow.

You can find in Tito's own words a hint of pride in the situation. Symbolically, when a correspondent asked the stocky dictator who had planned the beautiful hideaway on Brijoni, he replied modestly: "We did. It's not a big thing, but it's our own."

Actually, Brijoni is pretty big, as Adriatic islands go. It covers 1,705 acres. Pula, the nearest sizable port on the mainland, is an hour's boat ride away. The little town of Brijoni has two fine hotels. In the port, you usually find five or six torpedo gunboats—fast craft of the Yugoslav Navy.

Well-groomed island. There are many square miles of grass, mowed as neatly as the lawn of the White House in Washington. Tito likes horseback riding, and there are bridle paths galore and a stable of fine horses.

As you approach Tito's estate from the port, four deer bound across the road. Imported tropical birds sing from the lovely cypress and myrtle trees. At the gate where the grounds of Tito's personal estate begin, you see a park with a large fountain encased in glass. At night, the fountain is illuminated by a glow, which changes colors. It looks like a gigantic juke box.

—European

JOSIP BROZ TITO
His worries are showing

Atop Tito's two-story villa is a television antenna. Yugoslavia has no TV stations but Tito gets excellent reception from stations in nearby Italy. Walking through the living room of the house on marble floors, over a few fine Oriental rugs, you emerge on a long, magnificent terrace overlooking the Adriatic and another, smaller island, Vran or Vranga—the Yugoslavs call it by either name. This island, a half mile away, is another retreat where Tito can entertain guests for private talks. He took Mr. Dulles there.

In Tito's face, new lines. The Marshal, who still has a tremendous lust for life, generally lives like a wealthy sports-

(Continued on page 68)

RECORD SIX YEAR PRODUCTION PAVES WAY FOR NEW GIANTS

Largest airframe assembly subcontracted. Ryan is producing huge aft fuselage sections for the Boeing KC-135 jet tanker-transport. This new project follows six years of continuous on-time production of fuselage sections for Boeing's KC-97.

It's a tail of two cities. The huge structures built by Ryan in San Diego must mate perfectly with sections produced at Boeing's Seattle-Renton plants. This demands precision manufacturing, perfect planning and flawless coordination.

Techniques, planning and skill save money. Ryan reduced costs 40% during production of KC-97 assemblies. This saving was passed on to Boeing and the Air Force – to provide more aircraft per defense dollar. This is just one example of the outstanding cost-performance at Ryan. The same manufacturing efficiency and smooth integration is found in the production of fuselage sections for Sabre Jet fighters and other military and commercial airframe components such as fuel tanks, control surfaces, wing sections.

Established, financially stable. Ryan performs subcontracts without progress payments from customers. A veteran of 33 years exclusively in the aircraft business, Ryan understands the industry's problems as only an aircraft company can. It has the modern facilities, most advanced manufacturing techniques, and highly skilled engineering and technical personnel needed to produce the industry's most difficult production assignments.

For 33 years, Ryan has excelled in designing and producing high quality aircraft, power plants and avionics—built at low cost, delivered on time.

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memo

. . . Holding friends in East and West has aged Tito

man. But his face, suddenly, has become lined. When you mention to one of his aides how Tito has aged in the past few years, you get this insight into the problems of a Communist dictator:

"Yes; when you saw him last, Stalin had just died and the new men in the Kremlin had not come here to apologize. Since then, they have. When you saw him last, too, he had just returned from a state visit to London. Yugoslavia had broken with the Kremlin and we were growing close, perhaps too close, to the West, to the U. S. and its allies.

"Then things changed. The Russians admitted their mistake and came wooing.

—Wide World

TITO THE PILOT
For important visitors: speedboat rides

The President [Tito] had to put to the test his claim that a Communist Yugoslavia could be good friends with Communist Russia and the capitalist United States as well. It was not easy. For a time we thought he would lose you. But now it is all right.

"You Americans see that it is to your advantage to have an independent Communist country which, though friendly to Moscow, is also friendly with you. You see that it would be good to have the Soviet satellites of Eastern Europe more like Tito, more friendly with you. And we think that the Russians will find it to their advantage too, perhaps, to give the satellites more independence.

"Our President has convinced both the White House and the Kremlin and we are on good terms with both. But it has been very tiring for him. . . ."

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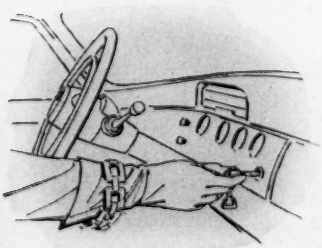

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HOW CANADA FIGHTS SPIES

Security of State Is Put Before That of Individual

The system Canada uses to protect Government secrets is being suggested by some as a model for an overhaul of the U. S. program.

This firsthand survey of how Canada handles the problem shows an efficient but tough system, far less concerned about suspects' rights than is that used by the U. S. There is no appeal, no "due process" safeguard.

In Canada, state safety comes first. U. S., to adopt that code, would have to change its Bill of Rights, redefine "civil liberties."

At the end of this article, you get an analysis of the U. S. system as it is applied, and a top U. S. lawyer's views on personal rights.

OTTAWA

Canada, like the United States, has a stringent program to protect Government secrets against subversives, cocktail-party talkers and people who associate with Communists.

Unlike U. S. Administrations, the Canadian Government seldom is subjected to public criticism for the way it weeds out civil servants whose reliability is in the least way doubtful.

With the whole process of internal security undergoing new scrutiny in the U. S., the Canadian method is being described as ideal by some Americans who would like to adopt it. A board such as the Royal Commission that in 1946 investigated the spy revelations of Igor Gouzenko is suggested by some in the U. S., to replace investigation by Congress.

Canada's methods of investigating spies and getting rid of security risks are very different from those of the U. S.

The Royal Commission to deal with subversion is a power unto itself. The 1946 group, held up by some as a model for the U. S., was fully independent, on a par in authority with courts, Parliament and the Cabinet. It ordered suspects arrested and held without bail. It ordered searches of suspects' homes and seizures of their papers, without search warrants. It compelled witnesses to testify about their own actions.

Adoption of these methods in the U. S. would require changes in Bill of Rights guarantees against search, against self-incriminating testimony and against excessive bail.

A civil servant in Canada today can be fired or transferred to another job on the ground of doubtful reliability, at the will of the department head under whom he works. He is given no reason, either orally or in writing, for his discharge. He has no way to appeal a decision and is not entitled to a hearing. His accuser and the nature of information against him are kept secret.

No written rules exist as yardsticks for establishing loyalty or reliability of a Government employe, under Canadian machinery for dealing with subversion.

Policies and standards are set by a committee of high officials representing several Canadian agencies. The Special Branch of the Royal Canadian Mounted Police—equivalent of the U. S. Federal Bureau of Investigation—has a representative on this policy-making body.

The identity of individual members of this panel is not disclosed to the public. Only a few in Government know who the members are. The panel meets in secret. The Government refuses to tell who makes the major decisions about security or what those decisions are.

This secret panel does not hear appeals or decide on individual cases. Decisions on hiring, firing and transfers from sensitive posts in each Government agency are up to the man who heads the agency. He is the boss. His decision cannot be reversed by anyone else.

Investigation is done by the Special Branch. Even the number of people investigated is kept secret. Among those subject to investigation are approximately 140,000 classified civil servants, many

—Nat'l Film Board

CANADA'S CHALK RIVER ATOMIC PLANT
Its scientists are rigidly screened

thousands of others who work for private industrial firms handling defense contracts and members of the armed forces.

Agents of the Special Branch dig into almost every facet of an employe's past and present behavior.

The civil servant's personnel file, listing former jobs and places of residence over a 10-year period, is only a starting point. Police agents talk with former employers and fellow employes. They interview neighbors, social acquaintances and old schoolmates. They dig into the employe's political leanings, go back to his school days to find out whether he belonged to left-wing groups and how much leftist beliefs rubbed off on the mature man.

Debts and ability to pay them are investigated to determine whether an offer of money might tempt an employe. How much and on what occasions does the employe drink—and does he talk too much when under the influence of two or three social cocktails? Is there anything unusual in his sex habits? How does he spend his leisure time? What clubs and organizations does he belong to? Any phase of the man's life that might make him subject to pressure is probed.

Investigation extends even to the civil servant's relatives and to the relatives of his wife.

What the Special Branch finds is sent back to the department head who asked for the investigation. The report may concern anyone from a new applicant for a job to an old and trusted hand in Government, because individuals who are being promoted are reinvestigated and old employes in sensitive posts are rechecked at intervals of not more than five years.

If any item in the police report raises a doubt about the employe's reliability or strength of character, he is out—either fired or given a job in which he will never see secrets.

Defense workers undergo the same procedure. They are investigated by the Special Branch at the request of the Minister of Defense Production. If any doubt is raised, the employer simply is told: "This man cannot be employed on the Government contract."

No reason is given—and the decision is final.

Scientists at Chalk River and other atomic plants and in radar and other secret research are screened with full field investigations.

Louis St. Laurent, who was Minister of Justice during the 1946 Royal Commission hearings and now is Prime Minister, is regarded by many as author of Canada's stiff system of investigation.

An appeal procedure was deliberately rejected, Mr. St. Laurent has explained,

(Continued on page 72)

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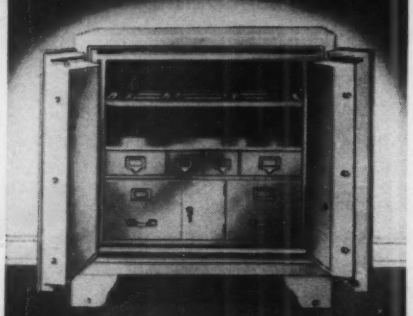

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[continued]

HOW CANADA FIGHTS SPIES

because "this matter of confidence in the reliability of others is not something that can be decided as a result of a trial" which would, in effect, result from a hearing on specific charges.

When doubts are raised about reliability, the official view is: "It is not possible to give the individual the benefit of the doubt."

In the view of Canadian officials, as explained to critics in the House of Commons, the Government must feel strongly confident that its secrets are safe—and the Cabinet believes this undercover system best assures safety.

The Government operates on the theory that it is impossible to detect and eliminate all foreign spies. Consequently, it feels, it must be sure that spies' sources of information inside the Government are dried up.

How many have been fired or transferred for disloyalty or unreliability is another Government secret.

Members of Parliament repeatedly have pressed for figures, without names. Such accountings are given the public by British and U. S. Governments, but Canada's policy is to withhold figures of this kind.

Best reports from official sources are these:

"Not very many" in the civil service have been fired.

"Quite a number" were dropped from the armed services after screening.

"A large number of files" of employes show transfers for reasons that include tendencies toward indiscretion.

Present security methods in Canada stemmed from the disclosures by Mr. Gouzenko, a Russian code expert who deserted the Soviet Embassy in Ottawa in 1945 with many secret documents. He fully exposed one spy ring in which he worked. He also revealed existence of several others, but had insufficient evidence to break them up. This testimony thoroughly alarmed the Canadian Government.

First step was to empanel the Royal Commission, with unprecedented powers to investigate, arrest, search, jail and question suspects.

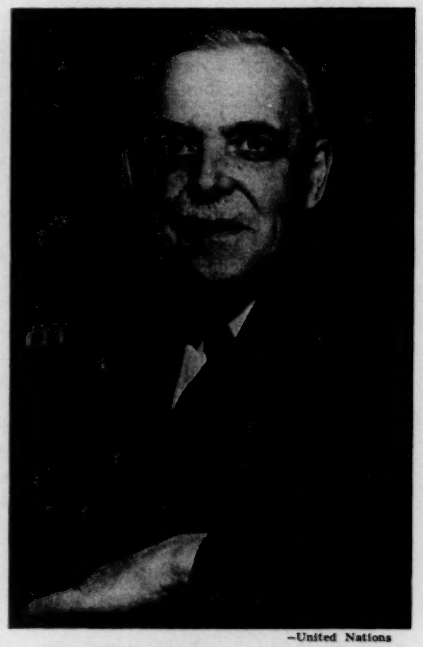
These powers were used to a considerable extent. Only nine days after its appointment, the Commission caused arrest of 12 suspects. Other arrests followed. Suspects were held in the barracks of the Mounties.

No charges were made against these people when they were arrested. Their homes were searched by the Mounted Police, without search warrants. The arrests were described in the Commission's report as "purely preventive" to avoid tip-offs, not for punishment of past conduct.

Reasoning of the Commission was that disclosures of secrets to foreign powers produced a national emergency that justified procedures even more drastic than those authorized by the Official Secrets Act.

Suspects were kept incommunicado for many weeks. They were questioned at length and in secret. The Commission had power to compel them to testify.

All concerned in the inquiry, including witnessess, were required to take an oath of secrecy.



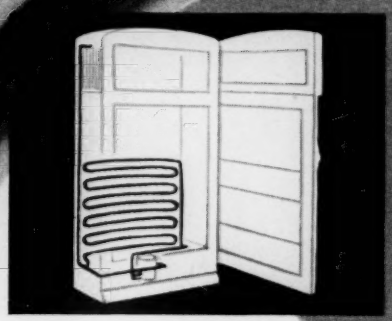
—United Nations

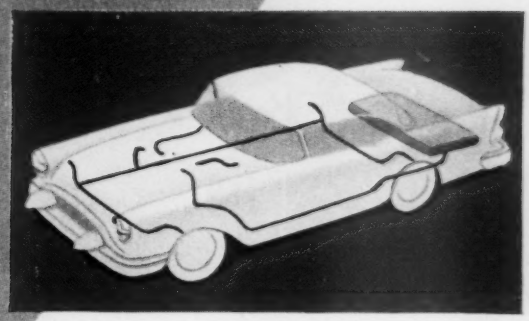
PRIME MINISTER ST. LAURENT
. . . author of Canada's system?

Full testimony was never published. Part of it was included in the Commission's report. Complaints were heard that the inquiry resembled a secret-police investigation. Mr. St. Laurent admitted that he was "seriously concerned" but the Cabinet decided that the "extraordinary circumstances" required drastic measures.

In Canada, the security system is a tough one. There is less concern than in the U. S. about the rights of individuals involved. To Canadian officials, safety of the state comes first.

For a size-up of the U. S. security system, see page 77; for an interpretation of the Fifth Amendment by an outstanding legal authority, see page 86.





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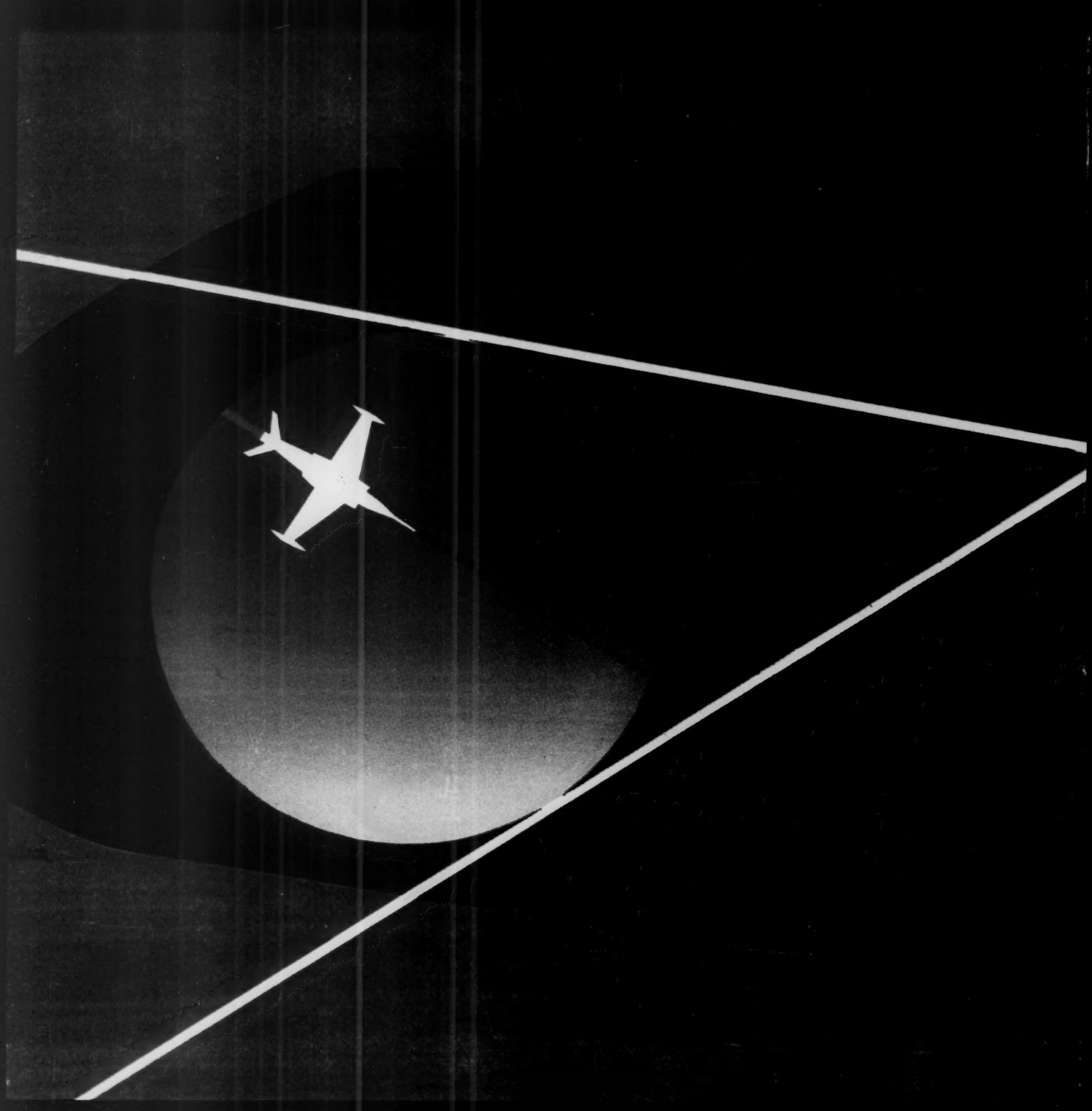

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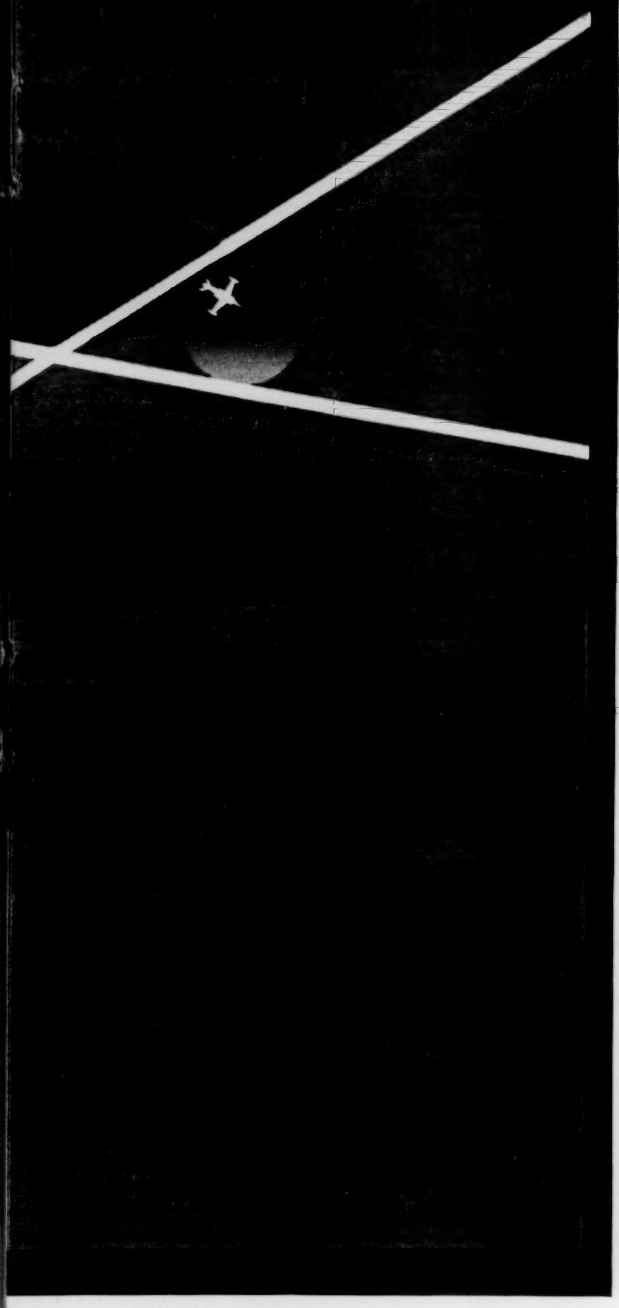

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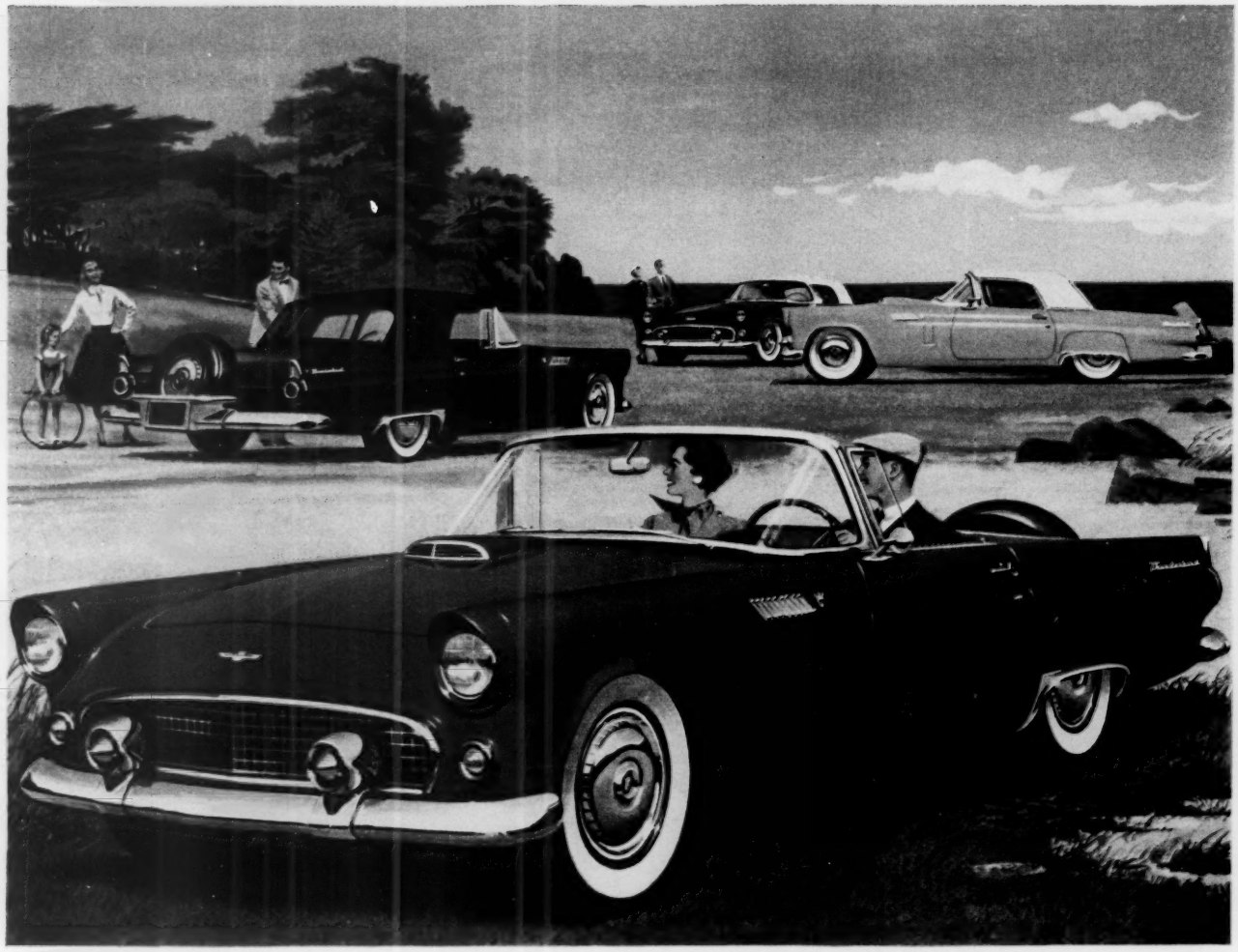

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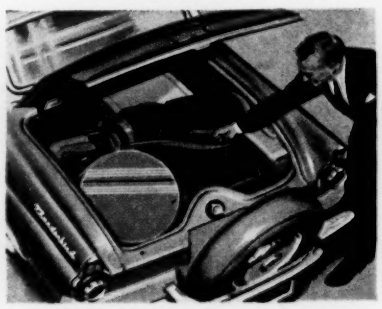


The Thunderbird's brand-new, rear spare-tire mounting folds back handily, as quick as a wink. It adds as greatly to your luggage space as it does to the over-all beauty of the car.

HUNT FOR REDS IN U.S. EMPLOY: TOO TOUGH OR TOO SOFT?

Is the U. S. Government going too far in its search for security risks? Or not far enough? Are civil rights being violated?

A federal commission now is to study such questions. Some problems it will meet are revealed in a recent survey by Mr. and Mrs. Richard Harkness. Mr. Harkness is a Washington correspondent of the National Broadcasting Company. The two writers examined scores of controversial security cases, talked with many U. S. officials and employes.

Results of their study are reprinted here by permission of *The Reader's Digest*, which holds the copyright.

by Richard and Gladys Harkness

STRANGE ARE THE EVENTS that followed, some years later, publication in the Washington *Post* in 1950 of a letter signed "Joseph S. Petersen, Jr." The letter read:

> "Under the guise of 'security,' numerous sins are being committed. The welfare of the nation is of supreme importance, but the right of an individual to 'life, liberty and the pursuit of happiness' is one of supreme importance, too. . . ."

Such criticism of the Administration's crackdown on "security risks" among Government employes is still not uncommon. "Suppose they *are* unconventional in their personal lives? That's no affair of the Government's; they still have a right to their jobs."

Oddly enough, the 1954 security case of Joseph S. Petersen, Jr.—who wrote that letter in 1950—is convincing answer to these criticisms. The details of the story, until now locked in secret files, are here published for the first time.

Petersen, cleared for loyalty under Truman, was inherited by the Eisenhower Administration as an employe in an enterprise even more hush-hush than the Central Intelligence Agency. He was on the staff of the National Security Agency, which is responsible for deciphering secret codes used by foreign powers. Even in Washington, few were aware of the agency's existence, since the name of the National Security Agency was kept out of print. When, after Eisenhower's election, the National Security Agency received allegations that Petersen might be a "security risk," he was rechecked immediately.

When it was discovered that highly classified material had disappeared from National Security Agency files, the matter was turned over to the FBI.

The investigation of Petersen was painstaking. He lived quietly in a modest apartment in Arlington, Va. His job rating was "satisfactory." It would have been "outstanding" except for a trait of instability—a tendency to disappear from his desk without explanation for weeks at a time. That one word—instability—was a clue. For Petersen had become a potential security risk through allegations concerning aberrant habits.

On the afternoon of Sept. 28, 1954, FBI agents called on Petersen and, while exchanging pleasantries, sized up the tall, gaunt, bespectacled code expert.

"Mr. Petersen," an agent said, "we know all about you by now. You'll feel better in your own mind if you tell us about it."

The agents detected a fleeting look of surprise on Petersen's face. One investigator went on, "Look, Pete. Why don't you go home and sleep on it? You can call us in the morning."

Next morning Petersen phoned the Washington FBI Field Office. "I want to see you," he said. "I have something for you."

The FBI men had no idea what to expect as they drove to Virginia. If Petersen had been a trained observer, he would have seen the surprise in their eyes as he produced a document from which the cover had been removed. The remaining sheets contained a jumble of apparently meaningless ciphers.

"That's fine, Pete," one of the agents said evenly. "Fine as far as it goes. But there's more. We'll be back this afternoon."

Officials of the National Security Agency identified the code as one of four missing documents. NSA had taken every possible step to safeguard its secrets. Double wire fences surrounded its two gray headquarters buildings. Security police patrolled the premises day and night. All classified material was kept locked in safes with three tumblers.

Yet here was an NSA staff man in possession of a basic counterespionage document! The document was not only "top secret" but carried a code word that cannot be made public even now. It was a classification applied only to material "the disclosure of which could result in exceptionally grave danger to the nation."

The next day, Petersen came clean. He allowed the FBI men to search his apartment. There, on the shelf in a closet, were the other missing NSA documents. We had broken the North Korean Political Security code used by the Reds in the Korean War, and Petersen had a copy. Another document consisted of notes, in his own handwriting, of material which the Government still refuses to identify because of potential repercussions on Capitol Hill and in capitals around the world.

Meanwhile, the FBI had been back-checking Petersen's activities. It uncovered evidence that he had relayed the purloined information to two employes of a foreign government.

Petersen decided to plead guilty to a charge that he "knowingly used classified information concerning the communication-intelligence activities of the United States and of

. . . Federal employment "is not a right but a privilege"

foreign governments." Judge Albert V. Bryan, visibly shaken by the Government's description of the Petersen documents, called the defendant to come up to the bench for sentencing.

There stood a Government employe uncovered through the recheck of federal workers ordered by President Eisenhower. A single clue had developed proof that Petersen was a "security risk." Judge Bryan sentenced Petersen to serve seven years in a federal penitentiary.

This is but one of numerous cases that have developed since the President's executive order, in 1953, establishing the following criteria for investigating a federal employe's trustworthiness:

> "Any criminal, infamous, dishonest, immoral or notoriously disgraceful conduct, habitual use of intoxicants to excess, drug addiction or sexual perversion. Any facts which furnish reason to believe that the individual may be subjected to coercion, influence or pressure which may cause him to act contrary to the best interests of the national security."

Under those standards a Defense Department employe may be loyal. But if he cannot resist that third, tongue-loosening Martini at a cocktail party, he may be discharged as a security risk. A Government secretary in the Atomic Energy Commission may be loyal, sober and efficient. But if she is inclined to gossip about confidential letters dictated by her employer, she is subject to discharge. Certainly in testing liability to "coercion, influence or pressure" by foreign agents, any immoral and perverted sex practices by people on the Government payroll are highly pertinent.

The underlying principle is that a place on the federal payroll is not a *right* but a privilege, with the safety of the United States entitled to the benefit of any doubt.

Blackmail: a Red Weapon

The sordid combination of immorality or homosexuality and blackmail has been a tool of espionage through the ages. Soviet agents are known to delve into the personal lives of figures in American Government for signs of weakness. In 1952, when General Eisenhower was being boomed for the Republican nomination, MVD headquarters in Moscow instructed its operatives to concentrate on the General to procure "any information of a current nature which might be used for bargaining purposes" in the event of his election.

Communists and pro-Communists were directed to deliver to Moscow "complete data on J. Edgar Hoover," including information on his character, hours he spent alone, his associates, advance travel plans on Government business or recreation, hotels and specific rooms assigned to him. A similar order through the Soviet Embassy in Washington called for close scrutiny of the wife of a high-ranking Army officer, now retired.

A married federal official met an attractive girl at a social function in Washington. He later saw her frequently. She became pregnant, and suggested that she be attended by a certain doctor in New York. The physician who delivered her child was on the monthly payroll of a Soviet-front establishment. The father was discharged from his Government position before the next step in the Red scheme—a demand for classified information as the price of silence.

Convinced that research knew no barriers of geography or ideology, a scientist had passed largely harmless information to a Communist cell leader before Pearl Harbor. With the war, he was transferred to a secret defense project engaged in developing a new explosive second only to the atomic bomb in destructive force.

In 1943 he was approached by the same Communist, who went straight to the point: He wanted the formula for the new weapon. The scientist refused, but the Communist agent was blunt: The man had furnished information to the Soviet previously. He would do so now, or pay the price of exposure.

Had the Government employe taken his story to the FBI, he would have been protected. Probably he would have been supplied with a bogus formula to pass to the spy. But the scientist yielded to the Communist threat. He is now serving a sentence for espionage in a federal penitentiary.

The explosive he betrayed was used by the Chinese Reds against American troops in Korea.

The FBI discovered that an attaché of a Red satellite embassy in Washington, known to be an espionage agent, had become acquainted with two Government employes in sensitive positions (how, the FBI never learned). A check revealed that both federal workers were homosexuals—obvious grounds for exploitation by the Communist spy. The two were quietly discharged as security risks; the Red agent was suddenly "recalled" by his home government.

The Communists prey mainly on homosexuals. A Soviet intelligence official, newly defected, furnished American authorities with detailed information on these tactics. A favorite procedure is to lure unstable Americans employed along the Iron Curtain in Germany into homosexual acts, and photograph them with hidden cameras. Often the pressure on the victim is not applied at once. They may be unmolested for years—and then face a demand for cooperation with Red spy rings under threat of exposure.

Homosexuality figured at least in part in the defection to the Communists of Dr. Otto John, whose duties as counterintelligence chief in Berlin made him the West German counterpart of J. Edgar Hoover. John's companion the night he crossed the border into East Berlin was a known Red sympathizer for whom John had developed an unnatural affinity. FBI files document many such cases.

Risks in the CIA

Since the advent of the Eisenhower loyalty-security program, the Government has discharged 788 homosexuals, or permitted them to resign upon presentation of allegations. The statistics include 469 from sensitive Government agencies dealing directly with national defense or security. When the current loyalty-security screening procedure had been in effect only seven months, the Central Intelligence Agency had ejected 31 individuals for sexual perversion. CIA officials finally awakened to the fact that it was informing the enemy that we had security risks in our first line of security defense. Published reports on Government loyalty-security no longer include figures from the CIA.

To understand the origin of these procedures we must go back to Jan. 23, 1953. That day Attorney General Herbert Brownell, Jr., took his oath as the nation's new chief law-enforcement officer. On his desk was the secret report he had requested from J. Edgar Hoover of the FBI.

Brownell felt cold sweat of alarm in his palms as he read and reread the document. The head of the FBI was officially warning the incoming Administration of a "clear and present danger" to the country's security.

That warning may now be revealed to the public for the first time. It presented a startling picture of underground Communist penetration of the Government and named individuals who should be seized immediately in the event of war with Soviet Russia—just as the FBI seized Nazi and Fascist agents with Pearl Harbor.

Hoover submitted to his new chief for reconsideration the

. . . Subversives: "a problem no less urgent than ending the war"

names of 48 Government officials and employes, each cleared under the Truman loyalty program, but who were considered "most critical" cases of Communist infiltration or subversion. Another 165, eligible for federal positions under the old loyalty standards, and on whom the new Administration wished to check, were employes known by the FBI through "evidence or their own admissions" to have present or past Communist affiliations. Beyond that, 17,816 more federal workers, the subjects of previous loyalty investigations on whom there was "derogatory information" in FBI files, had either been cleared under the previous Administration or the FBI had not been notified of the disposition of their cases. These allegations should be proved or disproved, especially where these employes occupied sensitive jobs.

Cases from FBI Files

Hoover cited specific examples from his confidential files. To protect the national interest and disguise FBI counterespionage techniques, these cases must be paraphrased even now. The following are typical:

- A State Department Foreign Service officer: Responsible for employment of known Communist spy with direct Soviet Embassy contacts in sensitive position in Justice Department. . . .
- An Interior Department engineer: Employed federal project supplying hydroelectric power to key atomic installation . . . worked early 1940s for Soviet purchasing agency . . . currently contacted by Soviet functionaries, including espionage agents known to be operating among federal workers. . . .
- A Defense Department guard: Signed Communist Party nominating petition in 1946 . . . made speeches idolizing Lenin and Stalin . . . still employed in position passing on admittance of military and civilian personnel to vaults containing "top secret" military film. . . .
- A U. N. Economic and Social Council economist: Member of United Public Workers of America, expelled by CIO for Communist domination . . . arranged blind date for U. N. official with girl connected with Rosenberg atomic-bomb spy ring . . . passenger on Polish ship, S.S. *Batory*, when Communist agent Gerhart Eisler fled to East Germany . . . charged to U. S. quota of U. N. employes. . . .
- A clerk in investigative branch of federal personnel agency: Father and brother Communist Party members . . . father former employe of Russian Embassy and Amtorg . . . active member prior to 1942 in two Communist-front organizations . . . recommended for dismissal as early as 1942 . . . recommendation overruled on appeal by Truman Loyalty Review Board . . . still had access to confidential files on Government workers . . . able to supply information to be used as pressure or blackmail to induce Government workers to serve as espionage contacts. . . .
- A U. S. Information officer: Close association with Communists and Party-liners while attached to American Embassy in Latin America . . . brother-in-law active Communist and Party member since 1933 . . . allegedly used official position to "obstruct, hamper or nullify" American policies designed to embarrass the U.S.S.R. and her satellites. . . .

Brownell closed the file and went straightway to the White House. President Eisenhower shared his concern. He felt that the Hoover report, as summarized by the Attorney General, presented the new Administration with a problem no less urgent than ending the war in Korea. And he ordered immediate development of the loyalty-security program which has ever since been under attack by some critics who consider it a threat to civil liberties.

Among the questions such critics ask are these:

Is it fair to recheck federal workers previously cleared—isn't that double jeopardy?

The previously mentioned case of Joseph S. Petersen, Jr.—easily cleared under the Truman program but convicted and imprisoned after a second screening—is sufficient answer to that.

May Government employes be suspended without pay on the basis of confidential information, given a hearing, and then discharged with no right to confront their accusers?

The answer is "Yes." And this occasions the most plausible strictures against the loyalty-security program. An employe is dismissed as a result of anonymous charges and is not even allowed to face or question his accuser.

But consider the reason for the policy, and its results.

The Justice Department in 1954 brought charges against five Communist Party members, who conducted Communist training schools and directed infiltration into aircraft and electronic-defense plants in the St. Louis area during the war.

At the trial the defendants were stunned by the parade of Government witnesses. There was Mrs. Anna Hanners, aircraft-plant secretary, who joined the Communist Party in 1942 at the request of the FBI. There was Thomas A. Younglove, a St. Louis cement contractor and an FBI "plant" in the Party since 1945. Then came a Negro minister, the Rev. Obadiah Jones, an undercover agent for the FBI since 1946. They all testified on a wealth of inside information.

New Surprise for Reds

If the five Reds were surprised by the revelations from within their own ranks, they were caught completely off guard by the next witness. William Walter Cortor testified that he joined an "electrical fraction" of the Communist Party in 1937, and volunteered his services to the FBI in 1950. Mrs. Mary Kaufman, attorney for two of the Communists, rose from her seat at the counsel table. Normally she was cool and calculating, but now her face twitched in agitation as she asked the judge to send the jury from the room.

Mrs. Kaufman revealed that, even after the trial was under way, Cortor had sat in on a defense-strategy huddle to plan the cross-examination of Mr. Jones. Mrs. Kaufman asserted that the FBI had "interfered with and entered into the defense of this case," and demanded a mistrial. Cortor testified he did not discuss the case with Government lawyers, so the motion was overruled. Finally the jury found the five Communists guilty on the first ballot.

The St. Louis case remains a classic in FBI files. The Bureau had infiltrated so many informants into the inner councils of the party that its agents informed on one another. Only as each individual took the stand to testify did the Government's informers learn the true identity of one another.

The victory was important, but the price paid was heavy. It cost the Government the four agents in the Communist Party whose "covers were blown" when they "surfaced" to testify. Younglove, for instance, had reported some 500 party members and 3000 fellow travelers to the FBI. His lists included defense-plant workers. In security proceedings resulting from his information he had never been identified. Had he appeared at any hearing for confrontation and cross-examination, he would have been expelled from the party long ago. The Government would have been deprived of his decisive testimony in the St. Louis case.

The FBI also gathers information, especially in security cases, from doctors, lawyers, ministers, bankers, as well as

. . . "The Communist Party is today in a state of near-panic"

friends, neighbors and fellow employes. Obviously many such individuals will talk only if guaranteed their names will not be used.

The point is that the "confrontation" demanded by critics of the program would rapidly dissipate and in the end destroy the entire network of Government informants. And let's remember that by information thus obtained and otherwise unobtainable the Communist conspiracy to destroy the very civil liberties we are concerned with here has been weakened.

For the Communist Party is today in a state of near-panic. Eighty-eight of its top leaders have been convicted of the 134 who were indicted, and others are awaiting trial. Thanks to the FBI and the Administration's loyalty-security program, Communist leaders have had to contrive their own system of loyalty-security checks.

Each of the party's estimated 21,000 members must answer a questionnaire more intimate and prying more deeply into individual affairs and thoughts than any questions put to federal employes. The Communists' interrogatory, obtained from confidential Washington sources, includes 34 questions such as these:

> Have you had extra-marital relations since you have been married? If so, with whom and how often? If you owe any debts, either to individuals, banks, loan agencies, or as a result of obligations due on purchase of autos, furniture, etc., list the amount owed, and to whom, and for what purpose.

The party's methods in grilling John Lautner, a party member for 21 years whom they suspected of informing, are illuminating. They subjected him to a kangaroo-court procedure reflecting the twisted minds of terrorists. Hungarian-born, bushy-haired, bespectacled John Lautner was lured to Cleveland. Still unsuspecting, he joined a group in the basement of a house. There, in the garish light of a single unshaded light bulb, Lautner was forced to strip and sit on a stool.

A loaded pistol was held at his head. A Communist goon beat the cellar wall with a rubber hose. Lautner's wrists were taped to what he was told was a "lie detector." To escape, Lautner scrawled a dictated "confession." Despite his innocence, he pleaded guilty to being a "Fascist enemy traitor to the working class" and stated that he had received a "fair and impartial" trial.

Lautner's revulsion against such heavy-handed torture brought him to the side of our Government. He was a federal witness in the Smith Act trial which resulted in the conviction of 13 Communist officials for advocating "the overthrow of the Government by force."

Where to Draw the Line?

Administration officials are the first to admit that any screening of American citizens for loyalty and security poses serious questions. Even Congress, casting aside partisan politics in this politically loaded program, has established a nonpartisan commission of 12 to make a six-months' study of the knotty problem: Where is the line to be drawn between the Government's undeniable need of self-protection and an individual's civil liberties?

We should not attempt to answer that question without considering thoughtfully the facts stated in this article. And we should remember that the Eisenhower loyalty-security program must be credited with setting back the Communist conspiracy within the United States and making it increasingly difficult for Reds to penetrate the Government.

A GOVERNMENT EMPLOYE with a long record of service is suddenly summoned to the office of his departmental security officer, where he is handed a formal letter. He blanches as he reads the key sentence: **"Certain information has been received indicating that your continued employment may not be clearly consistent with national security."**

The letter outlines the charges against him. They add up to "reports" that he and his wife are "intimate friends" of another couple who "were close associates of persons described as having Communist tendencies"; that his sister and her husband had been connected with two organizations listed as Communist fronts by the Attorney General; that guests at a birthday party in his honor included "friends and acquaintances of questionable political orientation."

Suspension Is Automatic

With the presentation of these charges the employe's suspension—without pay—is automatic. He is not even allowed to return to his desk to pick up personal belongings. These are handed to him as he leaves.

What recourse has an employe so charged? Under regular loyalty-security procedures he has 30 days to file an answer to the charges. If the agency head then refuses to reinstate him he has another 10 days to ask for a hearing before a loyalty-security board, with the—limited—right of counsel. His only alternative is to resign under a cloud of unresolved charges.

This man's experience is typical of thousands, as the Government proceeds with its stupendous task of removing from sensitive positions not only disloyal persons but those considered security risks because of personal habits or associations.

• • •

"I tried to figure out, driving home, how to tell my wife," one suspended worker told us. "We were married after I'd been in Government for four years—that was 14 years ago—and we have two children. Now, after 18 years, I'd been dropped for being disloyal or a security risk: the letter didn't say which.

"We told our neighbors I was taking leave. But things get around. I knew, from the way people looked at me, that they wondered if I was a spy."

Why didn't he answer the charges and ask for a hearing?

"Lawyers cost money," he explained, "and we dipped into our savings with the first missed check. My wife and I talked it over. We were told that the chances were my lawyers couldn't cross-examine Government witnesses and I couldn't confront my accusers. Under those conditions we couldn't see how a man went about proving that his continued employment was consistent with national security.

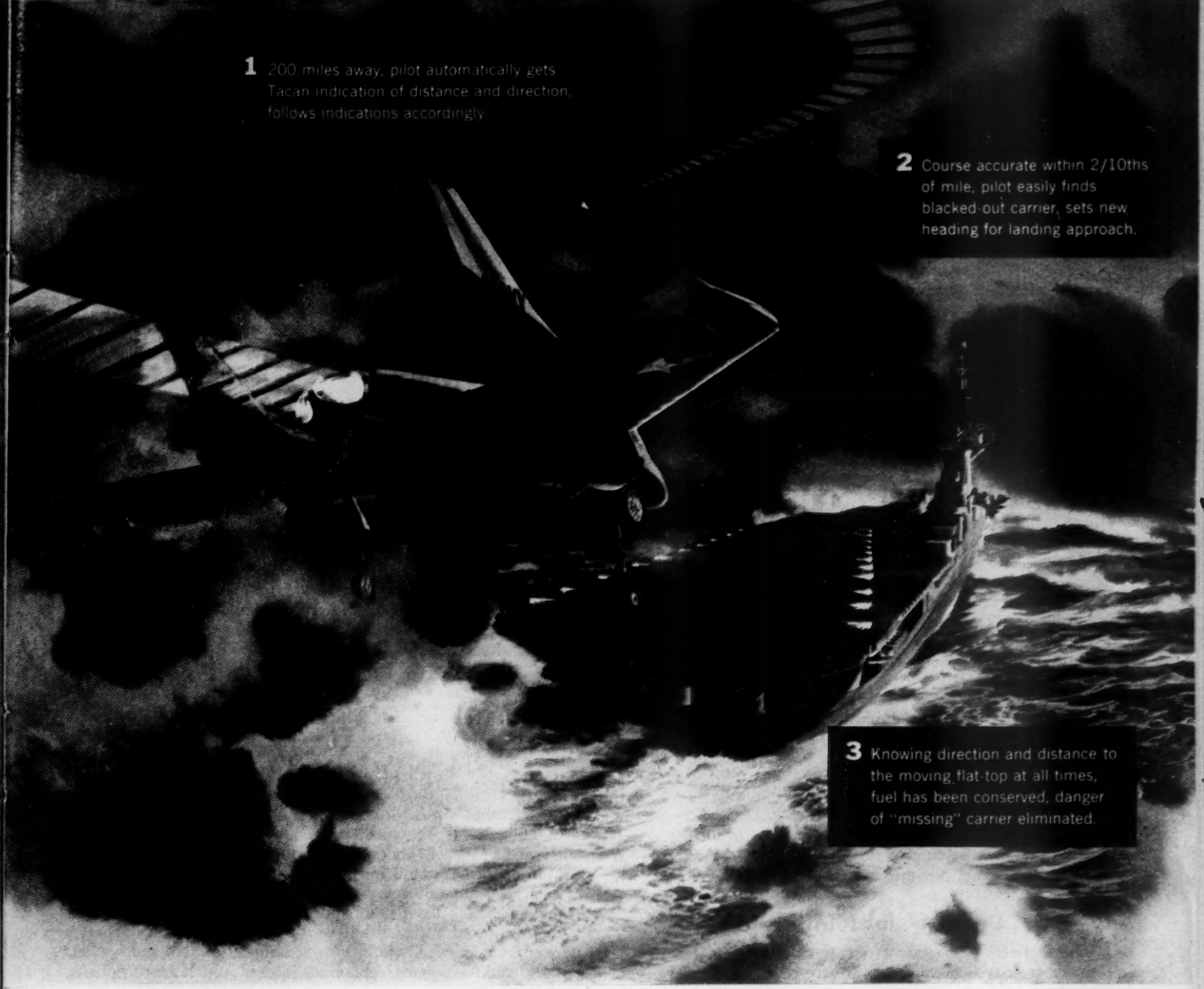
"Even if I were cleared and got my back pay, we'd still be in the hole financially because of the lawyer's fees. Clearing my name seemed a luxury I couldn't afford. Anyway, I'd always be 'that fellow who was hauled up for security.' So I took advantage of the alternative—I resigned."

One hears many such stories these days. Obviously Government workers or private employes of Government contractors who are discharged or resign on definite proof of guilt do not spread their stories. Nor do they find champions to publicize them—outside of Communist and fellow-traveling circles. It is the weak, badly administered or bungled cases—the striking examples of injustice and blunder—which become public. The worst of these become the objects of loud crusades for rehabilitation and reinstatement.

• • •

The widespread concern over this issue is the result, in large part, of the gigantic scale of our loyalty-security opera-

(Continued on page 82)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■ With the addition of the new Klystron developed for Tacan, Sperry now produces more than 85 types of tubes to power other microwave systems—ranging in power from a few thousandths of a watt to many millions of watts and in frequencies covering the microwave radio spectrum. To meet industrial as well as military demands, a complete new plant is now devoted to their design and manufacture in Gainesville, Florida.

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. . . "Five million employes have been checked and rechecked"

tions. Few Americans realize that the federal government has looked into the personal affairs of one out of every five employed adults. Under six different screening programs, 14 million of the nation's 64 million working population are subjects of confidential files. The heads of 70-odd agencies prescribe their own screening regulations under a broad presidential directive.

Records of all persons whose employment calls for access to defense information are held in special dossiers compiled from secret reports by friends, neighbors, schoolmates and fellow workers. Into the record go judgments on their patriotism, personal character, competence and discretion. For workers in less sensitive jobs the Government has records containing, at least, their names, fingerprints and answers to personnel questionnaires.

To date, five million present and past federal employes have been checked and rechecked. Another five million are officers and enlisted personnel of the armed forces; these have been screened by the Defense Department's own security system. More than three million business executives and employes in private plants with defense contracts have been processed before being permitted to work in electronic, aviation, guided-missile and other classified projects.

Half a million individuals, ranging from professors and scientists to carpenters and bricklayers, have had to be checked and cleared for work on Atomic Energy Commission enterprises. Another half million are seamen and port workers investigated under a special maritime-security act of Congress.

Even private citizens donating their talents for a one-day Government conference encounter the security officer. For example, the Department of Health, Education and Welfare recently produced ink pads to fingerprint public-health experts and pharmaceutical executives called to consult on Salk anti-polio vaccine. Each individual was required to fill out a federal form which features a loyalty oath and warns against drunkenness, sexual perversion and associating with spies.

Defense Jobs Infiltrated

The Defense Department is convinced that a "hard core" of Reds is in critical spots on private payrolls. Already some 18,000 manufacturing plants in industries directly or indirectly related to defense are covered by the security program, and the Department has asked Congress to extend the screening to additional industries. These include transportation, communications, utilities, mining and smelting, petroleum, steel mills and heavy industry generally.

Critics of the gigantic undertaking point out that of the three million defense workers checked only about 1000 were found to be possible risks; they insist that a blunderbuss of indiscriminate inquiry is being used when the need is to pin-point spies and saboteurs.

Those disquieted by the scale of the program and the number of innocents caught in the toils of investigation often use alarmist language. They talk of a menace to personal liberty, star-chamber proceedings, a trend toward totalitarian methods.

Among the most outspoken critics is Harry P. Cain, former Republican Senator from Washington, now a member of the Subversive Activities Control Board, which determines whether organizations should be placed on the Attorney General's list of Communist fronts.

"Let us never forget," he says, "that in an effort to keep our nation secure at home we have constructed an apparatus that will destroy us if we don't watch out. A whole clique of spies could hardly do as much damage to us as could our failure as a Government to have confidence in our people."

Dr. Vannevar Bush, president of the Carnegie Institution in Washington and a distinguished scientist, has been especially emphatic in opposing what he considers overzealous screening in the scientific fields. "The great question as we try to envisage the future," he said recently, "is whether this madness of ours is a passing phase, or whether it will grow until the free world transforms itself into a replica of the captive world it opposes."

What Is a Security Risk?

A prominent attorney who has defended both Government- and industrial-security suspects summed up his disapproval of screening policies thus:

> "My experience has convinced me of the unbelievable impact of the security program on the life of the individual and his family. The procedures are in many particulars contrary to the spirit of the Constitution and make it almost impossible in a complex case for the accused to exonerate himself.
>
> "There is no objective standard of what is or is not a loyalty or security risk. As a practical matter, a security risk is a person whom a security officer doesn't trust. Most security officers are not of superior intelligence and currently they are motivated by fear that they will make a mistake."

In the light of such criticism, we asked questions of Administration officials, and received these answers:

Q Hasn't the Government gone beyond the rule of reason in checking almost every federal agency?

A Yes, in a measure. Of 2,300,000 federal jobs, more than 500,000 have been classified as actually or potentially "sensitive." Even such nondefense groups as the American Battle Monuments Commission and the National Gallery of Art now file semiannual loyalty-security reports. Yet many Communist agents have found positions in nonsensitive agencies, then followed a zigzag but well-plotted course through other boards and agencies until they reached sensitive spots where they could influence economic, foreign and defense policies.

It is difficult to imagine why Communists would want to infiltrate the Post Office Department. Yet years ago Reds in the postal service are known to have intercepted mail passing between Leon Trotsky in Mexico and his followers in the United States. Communist assassins used this mail thievery in plotting Trotsky's murder. Also, atomic-energy plants maintain special post-office boxes. A security-cleared plant-protection officer handles all such incoming and outgoing mail. One can see opportunities for a disloyal postal worker.

The Fish and Wildlife Service of the Interior Department also seems a farfetched target for subversion. But with its credentials an enemy agent could obtain access to public lands containing uranium or federal hydroelectric projects supplying power to atomic installations.

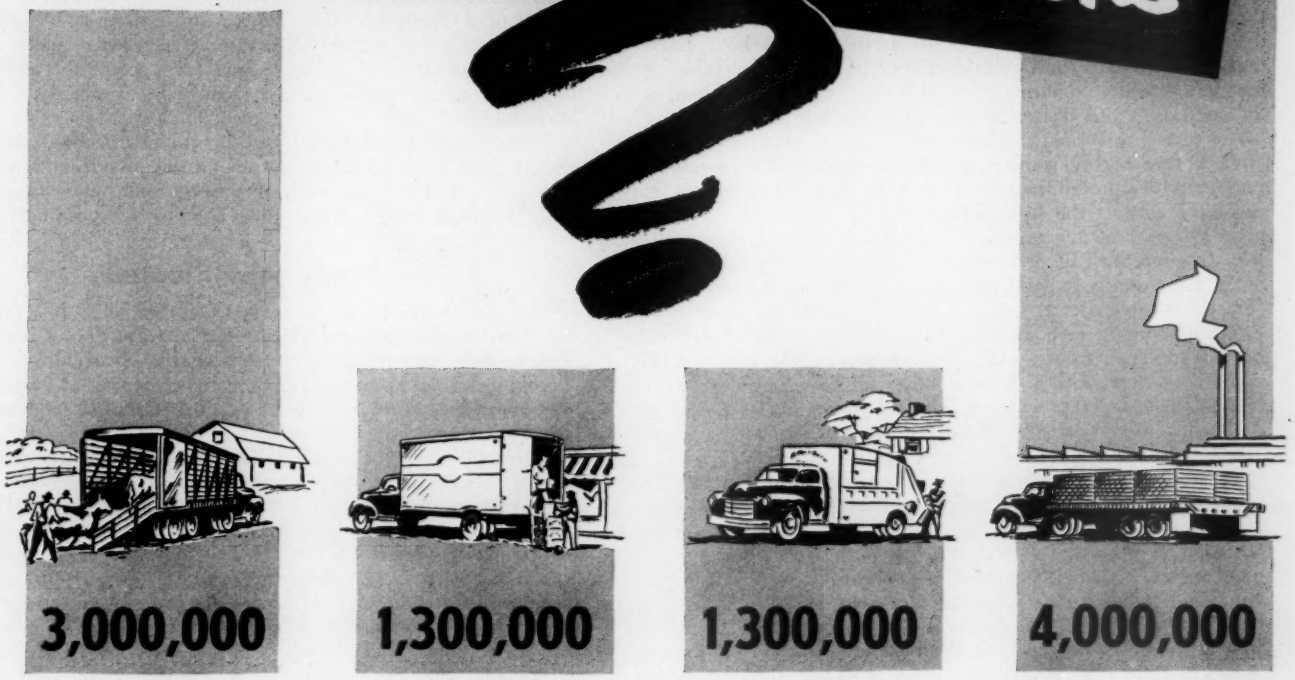
Q Isn't it going too far to apply loyalty-security tests to such humble workers as clerks, charwomen and janitors?

A No. Consider a sensitive position like that of the Defense Secretary. In security terms we cannot ignore the girl who takes his dictation, the messenger who distributes his confidential memos, the clerk who posts his dispatches to commanders overseas, the charwoman who empties his wastebasket.

The job of janitor is traditionally coveted by any espionage agency. Before the war the FBI managed to plant a loyal German-born American citizen in Hitler's consulate in New

(Continued on page 84)

Who Owns The Trucks?



FARM **FOR HIRE** **PUBLIC SERVICE** **MISC. BUSINESS**

No discussion of transportation should ignore the question: "Who owns and operates the nation's trucks?"

Well, some 3,000,000 are owned by farmers. Only 1,300,000 are "for-hire" trucks, operated by professional haulers. Around 1,300,000 are publicly owned—by police and fire departments, municipal santitation divisions, the U. S. mail service, and the like.

The rest—approximately 4,000,000—are owned by businesses of all kinds: manufacturing, retail, service organizations, etc.

Trucks are involved so deeply in your job, your comfort and convenience, and your security that any tampering with America's unmatched transportation system is a direct threat to you—to everybody!

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If You've Got It . . . A Truck Brought It!

. . . "The controversy revolves around methods, not goals"

York. It paid off. Among other things, he succeeded in secretly installing a new firebox under the furnace grates—with a false bottom. Daily, after office hours, this janitor went through the motions of burning all discarded papers, under the watchful eye of the consulate security officer. As soon as the Nazi left, the janitor tripped a switch that dropped the charred papers through the false bottom into an asbestos-lined box. Each night he delivered the box to another FBI agent in a different location. Piecing together charred scraps, the FBI learned a lot—including the presence of a German spy in a rooming house near the Brooklyn Navy Yard.

Q A few highly publicized security cases have involved people with foreign names. Is it true that the program is weighted against the foreign-born?

A Place of birth cannot be ignored in meeting this problem. In 1948 the FBI reviewed the origins of leading members of the Communist Party. J. Edgar Hoover reported the results: "Of 4984 reviewed, a total of 4555 or 91.4 per cent were either of foreign birth, married to persons of foreign birth, or born of foreign parents, while 56.5 per cent of the 4984 traced their origins either from Russia or her satellite countries."

This may help to explain why, in screening workers in defense plants especially, those of alien background almost automatically rate a full field investigation.

Q Does the Government ever knowingly employ loyalty or security risks because they are essential to some project?

A Yes, but rarely. Maj. Gen. Leslie R. Groves, director of the atomic project in World War II, authorized the employment of Dr. J. Robert Oppenheimer although security officers could not give him clearance. Nor was Oppenheimer the only one. After the war General Groves informed the AEC that he had "considered it in the best interests of the United States to clear certain individuals for work on the Manhattan Project despite evidence indicating considerable doubt as to their character, associations and absolute loyalty."

Q Is it possible to achieve 100 per cent loyalty and security by investigating every federal employe?

A No. Even if every official and worker were checked today, there would be no guarantee against their becoming disloyal or security risks tomorrow. One of the tricky intangibles a loyalty-security hearing must decide is: "Is this the kind of person who may decide one day to take the law into his own hands, as Alger Hiss and others did?"

Even forthright critics of the screening program acknowledge that there *are* security risks, that the country cannot overlook their aggregate menace and that Government as well as industry must have the right to fire, or to refuse to hire, persons whose discretion or loyalty is in doubt. Individual miscarriages of justice are reprehensible, but they do not cancel out the need for some kind of screening. The controversy revolves around methods, not goals.

Red Spies Since 1933

Communist infiltration and subversion are facts too well established to be ignored. As far back as 1933, Red agents, sympathizers and actual spies began to penetrate the Government. In the war years secret Communists reached high positions, and the Democratic Administration found it necessary to discharge loyalty risks from top-rung posts in the White House, the State Department, Treasury Department, National Labor Relations Board, War Production Board and other branches.

President Eisenhower's order expanding and stiffening the loyalty-security program was tailored to meet a genuine threat. His program has worked well and fairly in the overwhelming majority of cases, but it cannot be denied that some avoidable injustice has been done. The lumping together of loyalty and security risks has frequently proved to be a mistake. In the public view, the man or woman who resigns or is discharged these days may be unjustly suspected of the two most widely discussed charges—disloyalty and sexual abnormality. A clearer and more merciful yardstick for employment, critics suggest, would be "suitability" and "unsuitability."

There is substantial ground also for the charge that security officers have been too quick to act on unproved and unevaluated allegations. Such shotgun suspensions have subjected many people to undeserved trouble, expense and public stigma

How Many Are Cleared?

Official statistics show that since October 1953 two out of every five workers who chose to fight charges before hearing boards have been cleared. More recently, Washington lawyers who formed a legal-aid committee to represent employes have won every one of their cases. But it should be remembered that hearings are given only when requested, and that those conscious of their guilt or of the weight of the evidence against them prefer to resign quietly.

In view of the likelihood that the struggle against Communism may last for decades, the loyalty-security problem will remain to plague us. With rechecking of federal employes almost completed, investigations are now largely limited to new applicants, to jobholders transferred to more sensitive posts and to individuals about whom new information is received. A crash program no longer seems indicated. Many students of the issue believe that a uniform and fair code should be developed, with authority and responsibility vested in one carefully chosen official with the rank of Presidential Assistant.

Few deny or minimize the difficulty of the problem. It is, basically, the problem of maintaining a balance between our need for protection against Communist tactics and the liberties guaranteed us in the Constitution. It is, specifically, the question of weighing the civil rights of individuals against the possibility that one of those individuals may betray the trust and imperil the lives of millions.

This is the task facing the 12-man bipartisan loyalty-security survey panel established by Congress, with the approval of the White House. . . . Changes in procedure to give the suspect more protection seem inevitable. The spirit of the inquiry is reflected in this statement by the President:

"All the measures have two purposes. Their first purpose is to make certain that this nation's security is not jeopardized by false servants. Their second purpose is to clear the atmosphere of that unreasonable suspicion that accepts rumor and gossip as substitutes for evidence.

"In the long run you may be certain of this: America believes in and practices fair play and decency and justice. In this country public opinion is the most powerful of all forces, and it will straighten this matter out wherever and whenever there is real violence done to our free rights."

Foregoing are extracts from a series of two articles, entitled "How About Those Security Cases?" by Richard and Gladys Harkness, appearing in the September and November issues of "The Reader's Digest." The extracts are reprinted by permission of "The Reader's Digest," which holds the copyright.

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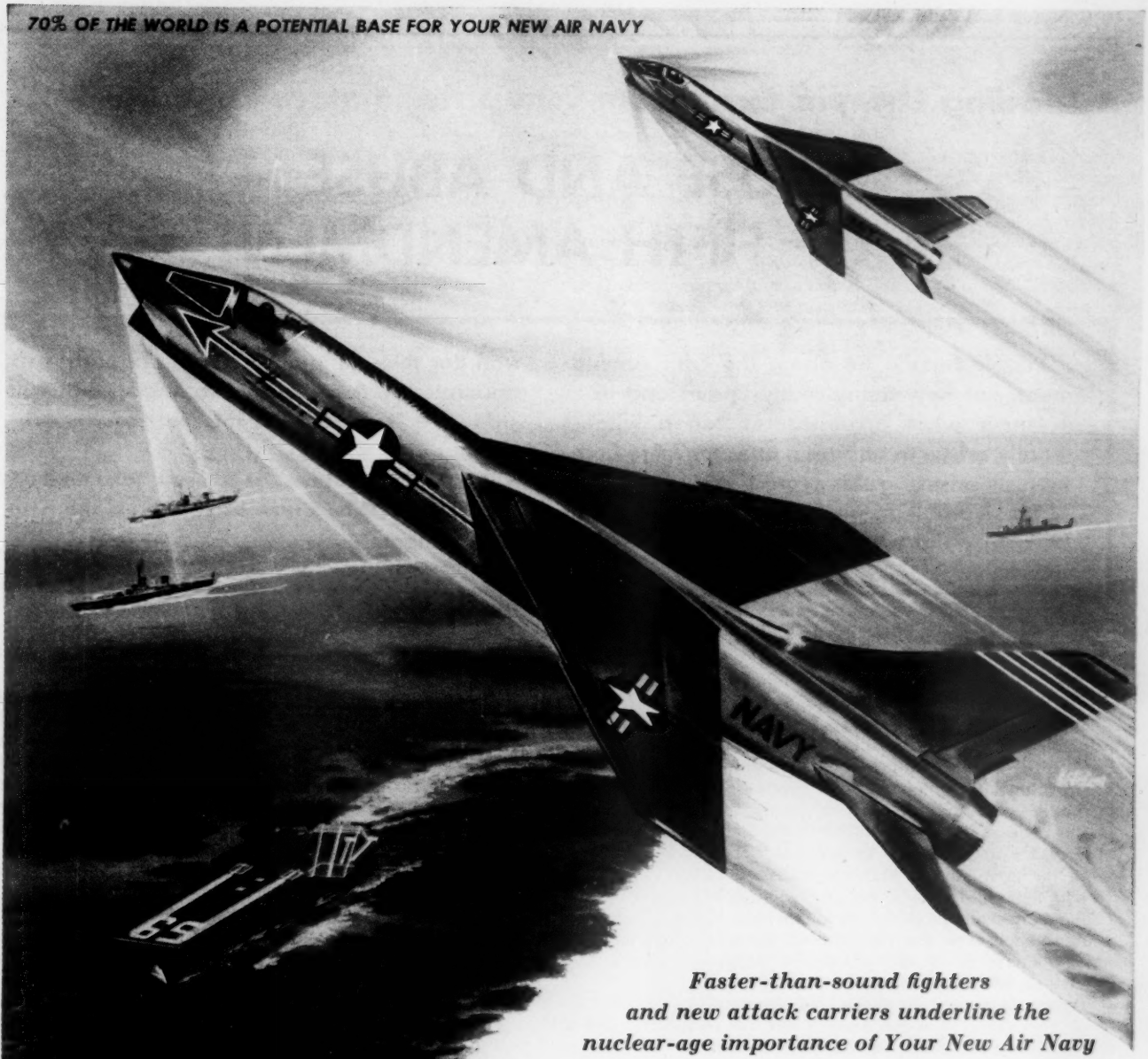

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A Leading Lawyer Explains

USE AND ABUSE OF FIFTH AMENDMENT

People hear a lot about the Fifth Amendment. But how many really understand it?

Under what circumstances can a witness legally refuse to answer a question? Are Communists misusing this protection?

These problems are discussed in an address by Loyd Wright, former president of the American Bar Association. Mr. Wright recently was appointed to the federal commission that will study the Government's internal-security program.

Mr. Wright's views, as a result, take on new importance. This is how he interprets the Fifth Amendment.

Following is full text of an address, "The Lawyer's Responsibility and the Fifth Amendment," delivered by Loyd Wright, then president of the American Bar Association, before the Law Club of Chicago, Feb. 25, 1955:

The paragraph which constitutes the Fifth Article of our Constitution's Bill of Rights contains within its brief compass a surprising number of our most precious and most effective guarantees of individual freedom against the collective power of the Federal Government. But in the light of recent events a reference to the Fifth Amendment is not likely to call to mind the guarantee of indictment by a grand jury, the protection against double jeopardy, the prohibition against the taking of private property for public use without just compensation, or even the fundamental assurance that we shall not be deprived of life, liberty or property without due process of law.

Today, when we hear of the Fifth Amendment, we naturally think of that clause of the Amendment that reads: "No person . . . shall be compelled in any criminal case to be a witness against himself," and it is of course this clause that I mean to discuss this evening.

We are currently hearing much about this privilege against self-incrimination. The privilege was first brought prominently into the spotlight of public attention some four years ago during the investigation of organized crime conducted by the committee headed by Senator Kefauver. The nation's television audiences were treated to the spectacle of a procession of racketeers and hoodlums who one after another carefully intoned the familiar formula, "I respectfully decline to answer on the ground that I might incriminate myself."

Although there were occasional breaks in the monotony of this stereotyped response—as in the case of one underworld character who garbled his lines and said, "I refuse to answer on the ground that I might *discriminate* myself"—the American's right not to testify against himself quickly spread beyond the confines of the courtroom and became a part of the public domain. Indeed, before the Kefauver hearings were concluded, a witness appeared unaccompanied by counsel and faultlessly claimed his privilege. When he was asked if he had consulted an attorney, the witness obligingly revealed that legal advise had not been necessary—he had learned about the privilege by watching television.

More recently, we have witnessed the operation of this privilege in a context which offers less in the way of entertainment and much more in the way of cause for concern. The investigations into Communist infiltration and subversion conducted by committees of both the House and the Senate in the past few years have revealed a number of once-trusted Government officials and employes, of public-school teachers and university professors, and even of officers of the court—lawyers—who have refused to answer questions regarding their connections with the Communist conspiracy upon the ground that answers would implicate them in criminal activities.

The sinister implications of these claims have once again aroused the public interest in the privilege against self-incrimination, now as an aspect of the struggle for national self-preservation. More and more people have become directly concerned with this privilege and seek to learn just what a claim of the privilege can fairly be taken to mean. The widely publicized hearings have served to introduce the layman to the Fifth Amendment, but they have failed to provide him with more than a nodding acquaintance.

That some of the profession, many prominent in the halls of learning and articulate at the least opportunity, have dealt with the abstract question and paid little or no attention to our obligations as citizens to be loyal to the nation, has not been of any great assistance to the public in trying to understand the question.

In the resulting confusion, conflicting public opinion has developed, ranging from questioning the necessity of legislative investigations and the methods employed by State and national investigators to the personalities of the leading figures involved.

At one extreme we hear references, made in good faith, I am sure, to "Fifth Amendment Communists," a phrase that conveys the idea, and is probably intended to, that the only persons who can properly claim the privilege when asked about their Communist connections are conspiratorial Communists, and so it follows, it is thought, that anyone who seeks refuge behind the privilege supplies by the very act of making the claim conclusive proof that he is guilty of treason or espionage.

At the other end of the spectrum there are those who, in equal good faith, would have us believe that nothing what-

. . . "In our legal system, efficiency must be sacrificed"

soever can be inferred from the invocation of the privilege against self-incrimination, and that anyone who suggests that the exercise of this constitutional right raises any questions at all is somehow subverting the American way of life. Buffeted from all sides by such sharply differing views, the public is understandably confused.

As the only group in society trained and experienced in the interpretation and application of legal rules, the lawyers occupy a special position in the American scheme of things. Like all good coinage, this special position has two sides—an obverse and a reverse, if you will. On one side is our unique privilege to pursue the practice of the arts and skills in which we have been trained. The reverse of this coin, and the concomitant of this privilege, is our obligation to the public to employe our training in the best interests of the community at large.

It is, I believe, our clear responsibility to do what we can to explain to the citizenry the legal aspects of the great public issues of the day. Our duty to dispel misconceptions about legal rights is especially heavy when those rights find their origin in the Constitution. A system of government which puts its faith in the courts for the protection of individual liberty must ultimately find the vindication of that liberty in the hands of the lawyers. We must discharge this sobering responsibility by resisting with all our force attacks upon our constitutional freedoms, no matter how well intended the attack and no matter how unpopular the defense. But, by the same token, we have an equal responsibility, requiring equal courage, to point out the limits of those freedoms and to unmask attempts to twist them into shields for lawlessness.

It is, I am convinced, our responsibility to speak out to remove the perplexities which belabor the public concerning the Fifth Amendment.

What then, should we tell the public about the privilege against self-incrimination?

—United Press

LOYD WRIGHT

To begin at the beginning with the privilege against self-incrimination is not an easy task. The origins of the privilege are obscure. Of this much we can be tolerably certain, however: The privilege appeared as a part of the common law of England sometime during the seventeenth century, and found its reason for being in the excesses of the High Commission, the infamous Star Chamber, during investigations into what was regarded as religious heresy.

More basically, it is probably safe to conclude that the privilege arose in part at least in response to the sense of injustice which the techniques of torture, then a part of the prosecutor's standard interrogating procedures, evoked in the minds of free men. But more significant than the origins of the common-law privilege is the fact that the individual's right not to be a witness against himself was thought to be sufficiently fundamental to liberty under law that the American people preserved it both in the Federal Constitution and in the constitutions of all but two of the States.

In any event, the purpose which underlies a legal rule ordinarily contributes more to an understanding of it than its historical sources. The purpose behind the privilege against self-incrimination is the protection of the innocent. The impossibility of divorcing the question of guilt from questions of the fairness of the procedures by which guilt is determined is a fact that lawyers constantly live with. It follows that if we would protect the innocent we must also shield the guilty.

There is no easy answer to this dilemma; a choice between ideal efficiency and ideal fairness has to be made. The choice clearly reflected in our legal system is that efficiency must be sacrificed. As Blackstone put it, it is better to allow 99 guilty men to escape than to convict one innocent man. Being committed to that course, we must be ready to tolerate a measure of protection for the guilty. But our rules are nevertheless designed for the benefit of the innocent.

Perhaps this purpose to protect the innocent can be seen more clearly if we take a brief look at two of the subsidiary purposes included within it. First, there is the purpose to protect the innocent members of society at large from the uncalled-for invasions of privacy which would attend the use of indiscriminate periodic inquisitions by the prosecutor as a means of discovering whether crimes might have been committed. The underlying assumption is, of course, that the privilege not to disclose will make wholesale interrogation valueless to the prosecutor, and so will deter him. In this aspect, the privilege against self-incrimination is closely akin to the individual's constitutional right, guaranteed by the Fourth Amendment, to be secure in his property from unreasonable searches and seizures.

The great Dean Wigmore explained this purpose of the privilege in these words: "The system of 'inquisition,' properly so called, signifies an examination on suspicion, without prior presentment, indictment or other formal accusation; and the contest for 100 years centered solely on the abuse of such a system. . . . No doubt a guilty person may justly be called upon at any time, for guilt deserves no immunity. But it is the innocent that need protection. Under any system which permits John Doe to be forced to answer on the mere suspicion of an officer of the law, or on public rumor, or on secret betrayal, two abuses have always prevailed and inevitably will prevail: First, the petty judicial officer becomes a local tyrant and misuses his discretion for political or mercenary or malicious ends; secondly, a blackmail is practiced by those unscrupulous members of the community who through threats of inspiring a prosecution are able to prey upon the fears of the weak or the timid."

A second subsidiary purpose of the privilege, and perhaps a more significant justification for it in the present day, is the protection of the innocent from the coercive measures of the overzealous enforcement officer. We have long since abandoned torture as an accepted means of discovering the truth; the rack and the screw are no longer regarded as proper instruments for the implementation of the policy of the law of crimes. By requiring that evidence of crime come from sources other than the mouth of the accused, we remove one temptation from the police to employ coercive means.

As an English commentator on the privilege explains this purpose, it is much easier "to sit comfortably in the shade,

. . . "A witness has no right to refuse to incriminate others"

rubbing red pepper into a poor devil's eyes, than to go about in the sun hunting up evidence." The purpose here again is the protection of the innocent man. If every man has his price, so every man has his breaking point, the point where it is easier to give the interrogator the answer he seeks than to insist upon the truth. The high development of the science of brain washing in the hands of the Communists bears eloquent contemporary witness to the wisdom of a rule which recognizes the unreliability of self-accusation.

Protecting the Individual

Notwithstanding my conviction that we Americans treat our law-enforcement agencies disgracefully in respect to compensation and the support of their good work on our behalf, if we are to continue to put fairness above efficiency in the administration of our criminal law, and to protect the individual against the collective power of government, then I think we must reject the proposals of those who would abolish the privilege against self-incrimination. The dangers of the police state would loom large indeed if we were without it.

Like all our guarantees of liberty, the privilege does handicap the nation in its struggle against the menace of Communist infiltration and aggression. But unless we are to lose the fight by the very act of *preparing* to fight, we must stand by our ancient liberties and resist the temptation to adopt the Communist's principles in an attempt to combat those principles more effectively.

If we are not ready to repeal the Fifth Amendment, then it seems to me essential that we clear up the confusion which surrounds it, and make certain that the privilege is not misused to conceal more than is necessary to honor the constitutional liberties at stake. Let me suggest that our thinking about these problems can be clarified if we divide them into classes:

First, there are the problems faced by the person who has been summoned to appear as a witness before a court or an investigating body, and who is in doubt as to the scope of his right to refuse to answer and as to the wisdom of invoking that right.

In a separate category I would put the problems faced by an employer who learns that one of his employes has for some reason claimed the privilege against self-incrimination. If the reluctant witness happens to be an employe of the Government, each of us, as a citizen, of course, shares in this responsibility of the employer.

In the first category, of the problems which confront the prospective witness and his lawyer, the basic questions have largely been settled in the courts, and although there may still be trouble along the edges, the general answers are relatively easy. The Constitution of the United States does not leave the protection of the individual to vague and lofty declarations of the rights of man. A freedom stated so broadly that each of us can find in it the meaning he wishes is meaningless as a guide to action in concrete cases. The draftsmen of our Constitution wisely chose not to rely on such generalities, but instead provided protection for the individual in the form of specific legal rules, of definite and limited extent and enforceable in the courts.

And so it is with the privilege against self-incrimination. It is not a shield to anyone who for any reason does not choose to co-operate with the duly constituted authorities. It is rather a legal rule that tells us simply that a man cannot be compelled to disclose under oath facts which might be used against him in a prosecution for the commission of a crime.

The witness can properly decline to answer only if there is a danger of a criminal prosecution. That the required disclosures will be embarrassing to him; that they will subject him to criticism or expose him to opprobrium; that they will impair his social standing and cause him to lose his friends, or even that they will cost him his job—all these, separately or in combination, are not enough to entitle a witness legally to refuse to answer.

I do not mean to minimize these extralegal sanctions; they may entail consequences as serious as a conviction for a crime. What I do mean to say is that they have nothing to do with the constitutional privilege against self-incrimination, and that they do not confer a legal right not to make the required disclosure.

A situation which has caused confusion and needs clarification is the case of the witness who is willing to answer any questions relating to him and to his own activities, but who is opposed to supplying any information about his friends and associates. He may be understandably reluctant to subject them to the discomfiture of being called before a committee, or to expose them to the risk of prosecution. But the privilege against self-incrimination does not justify his position.

The privilege is personal; a witness has no right to refuse to incriminate others. Indeed, if the witness knows that his associates have committed a serious crime, the refusal to disclose that fact makes the witness himself guilty of a crime of misprision of felony. The common sentiments of the American people place a high regard upon personal loyalties; the role of the informer is a repugnant one.

Loyalty to one's fellows is more immediate and consequently more compelling than the remote and generalized loyalty due to society as a whole. But regardless of these considerations of private morality and personal predilection, the Government demands from its citizens their full co-operation in supplying information relevant to the proper concerns of government.

One of the most persistent of the popular misconceptions concerning the Fifth Amendment is the notion that a witness is entitled to invoke it, or indeed that he is morally bound to invoke it, not because of any danger of self-incrimination, but rather as a gesture of protest against the conduct of legislative investigations. Sometimes this notion springs from the oversimplified dogma that the Government has no power to inquire into any citizen's political beliefs and loyalties; in other cases the supposed right to resist passively is attributed to unfairness in the operations of a particular legislative committee.

Congress Must "Inform Itself"

This position, however based, carries disturbing implications. If generally accepted and followed, it would go far toward destroying the investigating powers of Congress. It should be self-evident that as the branch of Government invested with responsibility for the formulation of national policy and for the determination of how that policy should be effectuated, Congress has not only the power but also the duty to inform itself for the intelligent discharge of its functions. Moreover, as the branch of the Federal Government most responsive to the popular will, Congress has the right to appeal to the public for support of its policies by making its findings known.

A democracy can work only with a well-informed electorate. As Woodrow Wilson said, "The informing function of Congress should be preferred even to its legislative function." To

(Continued on page 90)

(Advertisement)

Lieut. General **LESLIE R. GROVES**, USA (Ret.)

Oil and the Atom

We did not know if an atom bomb could even be exploded until July, 1945, at Alamogordo, New Mexico. Yet as early as 1943, the reports from the Manhattan Project to the President stated the belief that our research aimed at atomic weapons for war would eventually result in major peacetime benefits for mankind.

By late 1944 it became clear that these benefits would first be in the form of new research tools, particularly in medicines and later in radioactive isotopes valuable in research and industry. We also felt that atomic power could come eventually.

The bright peacetime future of atomic energy made uranium a valuable national resource—a resource that had to be conserved intelligently without being hoarded in a miserly fashion.

As a result, the infant atomic industry carefully studied conservation practices of other industries—already experienced in dealing with an "exhaustible" resource. This, of course, included the oil industry.

We found that the goal of private industry is simply to secure the fullest return from our national resources, so that these resources may continue to be useful in our industrial life and economic development for many years to come.

We found that it is part of the integrity of modern industry not to waste our resources. And the petroleum industry has proved itself a leader in the practice of conservation. By the use of research and scientific prospecting, the oil industry has increased the amount of known reserves, and opened the way for further discoveries of potential reserves.

By using efficient methods of production and processing, it has eliminated waste in the handling of petroleum, and has increased production of the more desired petroleum products from the basic oil.

Lieutenant General Leslie R. Groves, USA (Ret.) head of the wartime atom bomb project and now vice-president of the Remington Rand Division of Sperry Rand Corporation, has had a distinguished career as a military man, engineer, scientist and business executive. As head of the Manhattan Project, he was in charge of all phases of the atom bomb development leading up to the explosion at Hiroshima in 1945, and until January 1, 1947, when the Atomic Energy Commission was formed.

It seems to me this is the pattern of conservation of natural resources as we know it. It is a pattern that I believe is also being followed in the field of nuclear power, through an intelligent combination of Government administration and the initiative and resources of private industry. And remember, the only reason the Government is in the atomic industry is because the National Defense requires it.

The established oil industry and the growing atomic power industry—which, in a very few years, may form partners in producing the power necessary to our industrial strength—have grown, or are growing, within the framework of the American philosophy of conservation, the framework of the free and competitive American way of life.

This is one of a series of reports by outstanding Americans who were invited to examine the job being done by the U. S. oil industry. This page is presented for your information by the American Petroleum Institute, 50 West 50th Street, New York 20, N. Y.

. . . "Some inquiry into political beliefs must be tolerated"

restrict the investigatory power of the legislature, to entangle it in red tape, or to defy the power under the cloak of a spurious claim of a constitutional privilege can only serve to undermine the principles and practice of limited representative government.

Against this need to let the people know must be balanced the individual's claim to privacy. Traditionally we value freedom of belief as among our most fundamental rights, and we abhor efforts at thought control. It is probably unwise in ordinary times for Government to inquire into the political theories espoused by an individual. But these are not ordinary times. When a political belief of a particular kind threatens the violent overthrow of the Government, and is backed by a conspiratorial organization within our borders and by a mighty military force poised for action abroad, some inquiry into political beliefs must be tolerated if we are to survive.

The Constitution does not compel us to sacrifice the freedom of the nation for the sanctity of an individual's thoughts. Whether in a particular situation the danger that beliefs may be translated into revolutionary action outweighs the individual's claim to privacy must be left primarily to the wisdom of the legislature, with the remedy for unwise choices to be found at the polling places. It is not for the witness to judge, and nothing in the Fifth Amendment permits him to arrogate that function to himself.

It is futile, of course, to insist that legislative investigations have always been scrupulously fair, or that witnesses have never been mistreated. It is not surprising that on occasion the political branch of Government behaves politically. Taking into account the laws of human nature, occasional injustices are certainly not improbable. It is crystal clear that unfairness in the conduct of such hearings is not confined to any particular committee, nor to any political party, nor to any era of our history.

The abuse of congressional immunity by the investigator does not justify the abuse of the privilege against self-incrimination by the witness. If the witness is convinced that the hearing has gone so far beyond the limits of elemental decency that he should no longer be compelled to co-operate, his course lies in an appeal to the requirements of due process of law, with the attendant risk of punishment if he should be proven to be wrong.

The witness who invokes the Fifth Amendment without a foundation in fact for his claim fails in his obligations as a citizen and abuses a precious constitutional privilege. Beyond this, as Chief Justice John Marshall reminded us almost a century and a half ago, the statement of the witness that he fears a criminal prosecution when in fact he does not is "in conscience and in law . . . as much a perjury as if he had declared any other untruth upon his oath."

We now come to the question of who *can* properly claim the Fifth Amendment. Since the witness who is in fact guilty of a crime has a solid basis for fearing that he may incriminate himself, he is clearly correct in law in refusing to answer upon this ground. Theoretically we may deplore this use of the privilege, but as a matter of practice it is unavoidable.

If, as I suggested earlier, the purpose of the privilege is the protection of the innocent, there must, of course, be some situations in which a witness who has committed no crime is legally entitled to refuse to answer. The narrow scope of this constitutional right is illustrated, however, by the limited number of situations in which this is true. If the innocent witness is asked a question which, if answered truthfully, would disclose one link in the chain of facts necessary to a criminal conviction, the witness, it appears, is legally free to remain silent.

Suppose, for example, that a witness is called before a congressional investigating committee and asked the jackpot question, "Are you a member of the Communist Party?" By the Internal Security Act of 1950 it is provided that membership in the Communist Party is not *per se* a violation of any

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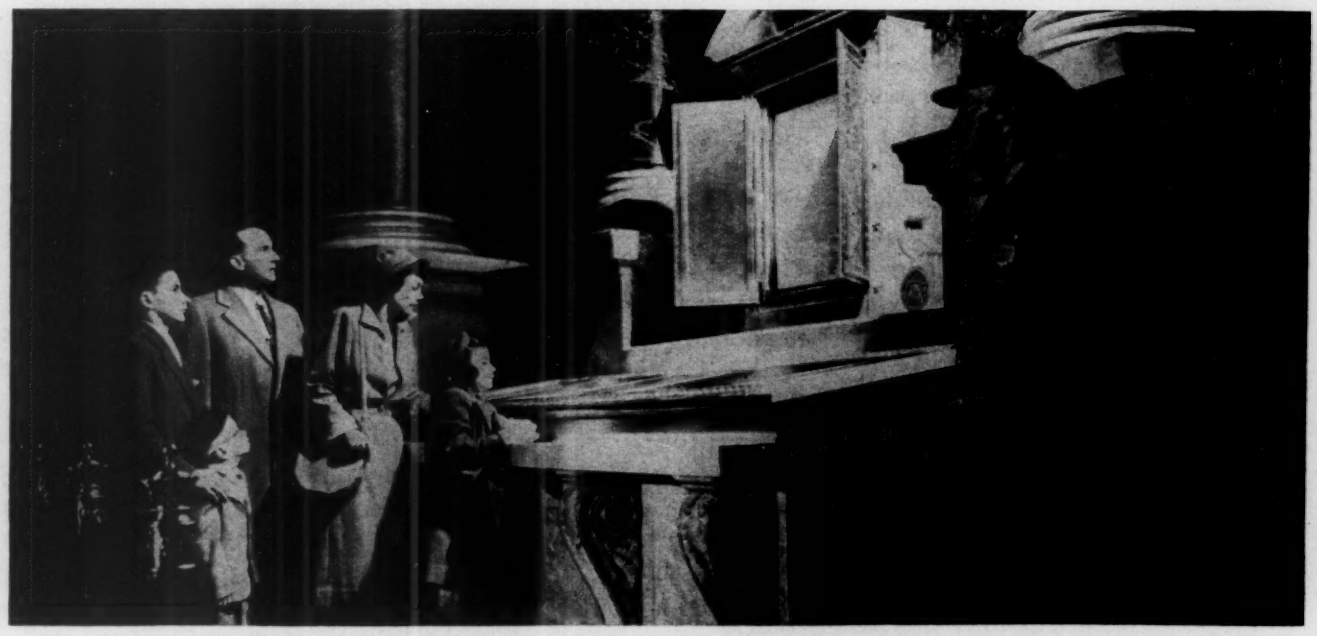

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". . . does not compel us to sacrifice the freedom of the nation for the sanctity of an individual's thoughts"

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. . . "The teacher's loyalty is essential"

criminal statute. But, as the recent decision of Judge Sullivan in the Lightfoot case demonstrates, the Smith Act makes it a crime to be a member of the Communist Party if in addition the member knows the purpose of the organization. Thus the answer to the question concerning party membership can be "Yes" without making the witness guilty of any crime if he is so naïve and uninformed as to be ignorant of the aims of the Communist Party even as a member. But to reveal his party membership would go far toward establishing a crime, so the witness is constitutionally privileged to refuse to answer.

"The Doctrine of Waiver"

Another justification for invoking the Fifth Amendment when a truthful answer to the question asked would not alone be incriminating is found in the doctrine of waiver as recently announced by the Supreme Court in the Rogers case. That doctrine, contrary to English law, seems to make the failure to claim the privilege to the first of a line of questions a waiver of any further assertion of the privilege as to subsequent questions directed to the same subject. Under this construction of the law, to avoid the risk of waiving his privilege, the witness may be compelled to claim it even to excuse answers which would not in themselves be incriminating.

A more difficult class of problems created by the present prominence of the Fifth Amendment are those which confront an employer when he learns that an employe has claimed the privilege against self-incrimination.

As you know, it is a rule of general but not universal acceptance that in a criminal case neither the prosecutor nor the judge can properly comment upon the accused's claim of the privilege as an indication of guilt. This prohibition obviously makes good sense in a criminal case, but, of course, has no application when the question is not whether the reluctant witness should be sent to jail but rather whether he should continue in his job. While there is no presumption of guilt in our criminal law, there is also no presumption of moral fitness for every position in the field of private economic relations.

To insist that a claim of the privilege is of no probative value on the question of guilt is to invite the comment of Mr. Bumble in Dickens's "Oliver Twist" that "the law is a ass, a idiot." The employer is entitled to be assured that he does not subvert our constitutional system if he chooses to infer that the witness is guilty.

It does not necessarily follow that even an innocent man who claims the Fifth Amendment is entirely blameless. If he was not in law entitled to invoke the privilege, he has without right obstructed the lawful processes of government. And if he *knew* that his claim was not legally justified he has perjured himself by making it. If the witness was both innocent and properly entitled to rely upon the privilege not to testify against himself, he at least has admitted the existence of suspicious circumstances which might lead a jury to find him guilty of a crime. It seems not unreasonable to impose upon him the duty of explaining these circumstances to his employer, who has no other basis for deciding between guilt and innocence if he would avoid the inference which the employer otherwise may properly draw.

It seems fair to conclude that, whatever its motivation, the invocation of the Fifth Amendment reflects no credit upon the witness. We have heard a good deal about the extenuating circumstances which may lead a person to refuse to testify without moral culpability. We are told that he may feel that he is being harassed, that he is often confused, and may be unwilling to jeopardize his good relations with others by testifying.

I would like to suggest that the witness's employer as well may plead extenuation. If we are willing to excuse a false claim of the privilege because the witness is anxious to protect his good relations with others, can we justly condemn the employer who fires the witness because continued employment would imperil the organization's relations with the public and with its other employes? If we absolve the witness who claims the privilege under the mistaken belief that he is entitled to use it as an instrument of social protest, must we not also absolve the employer who discharges the employe under the mistaken belief that only the guilty can invoke the privilege?

These matters of private employment are, of course, beyond the present reach of the law, and it seems to me that they belong there. The Government should not step in to outlaw the witness who has claimed the privilege against self-incrimination by depriving him of an opportunity to earn a livelihood. Neither should the Government restrict the freedom of the employer who chooses to insist that his employes must be like Caesar's wife, above suspicion.

Common sense indicates that the considerations which control the appropriate consequences of a claim of the Fifth Amendment upon the witness's claim to hold his job vary with the kind of employment involved. Certainly the standards which govern the school janitor should be different from those which apply to a nuclear physicist working in a Government project.

I would think it indisputable that a plea of the Fifth Amendment would raise serious doubts about the fitness of a Government employe to occupy a position of responsibility.

Perhaps the most controversial questions raised by the use of the Fifth Amendment have been those in the field of education, both public and private. We have heard much in these discussions about academic freedom, but I venture to suggest that no mention of it will be found in the Constitution.

What is meant, I think, is simply this: The teacher's job is basically to seek the truth. With no economic ax to grind, he can afford to be objective and to consider all possible choices. We deplore the Communist device of laying down the lines of orthodox theory in such fields as science, art, economics and religion. We believe that in the long run we will survive only if we are willing to test every principle and tradition in the crucible of reason.

Dogma vs. Truth

We must be careful, then, not to mistake the inquiring mind for a sign of disloyalty. On the other hand, it is the teacher's fundamental obligation to be objective and to accept the truth no matter where it may be found. If he owes a supervening loyalty to a political dogma, and finds his truth in a party decree, he lacks the basic qualification of the teacher. His loyalty is essential in view of the influence he exerts upon the thinking and beliefs of the immature minds committed to his training.

The delicate problem posed by these considerations is how to eliminate these grave dangers of disloyal teachers without destroying the spirit of free inquiry which is the essence of education. But the questions of whether an investigation into the loyalty of teachers should be conducted, and of whether the teacher should co-operate in such an investigation once it is begun, are vastly different. The teacher has no greater privilege than any other citizen to the privacy of his

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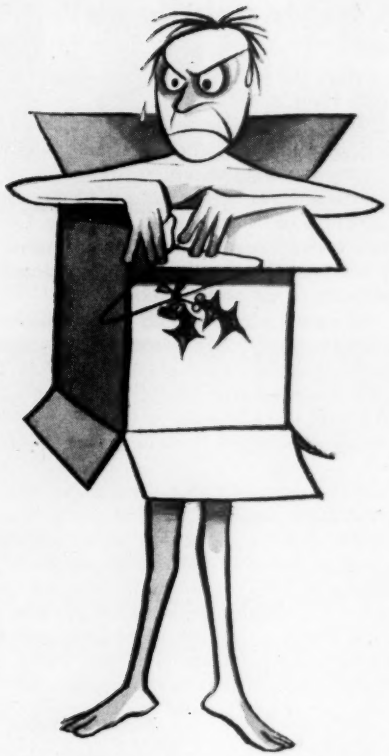

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. . . "To practice law is not a right but a high privilege"

thoughts and beliefs; rather it seems that his dedication to free inquiry imposes a greater obligation upon the teacher to be candid and open in his views. The use of the Fifth Amendment is inconsistent with this duty of candor, and accordingly a claim of the privilege should, as stated by the Association of American Universities, "place upon the professor a heavy burden of proof of his fitness to hold a teaching position."

Even more vital than the teacher to the preservation of liberty under law is the lawyer, and it is entirely appropriate that we should end this discussion with the matter of keeping our own house in order.

It seems to me that we lawyers too frequently lose sight of the fact that to be a member of the bar and to practice law is not a right but a high privilege dependent upon continuous, exacting conditions. It is obvious that the distinction between a person's status as an individual and his status as an attorney and officer of the court is of primary importance. The rights of an individual may or may not be consistent with his professional or official status. Where, however, the individual's rights are inconsistent, a choice becomes necessary either to forgo the right or relinquish the profession.

When the assertion of the constitutional right by one who is also an attorney to seek protection against self-incrimination under the Fifth Amendment is present, this seems to me to be completely inconsistent with his high status as a member of the bar and an officer of the court; and the implications arising therefrom are such as to destroy the privilege of license, they are repugnant to the oath taken at the time of entering the bar and negate the presumption of the fitness to continue as a lawyer by reason of lack of loyalty as displayed by the inferences and the requirements of frankness at all times.

The choice of the personnel of a bar rests with a State, but the court has a continuing responsibility to reinquire and redetermine from time to time, and particularly when any suspicious circumstances arise, the fitness of an attorney to continue. And, as your court so held in the Anastaplo case, a candidate for admission to the bar may properly be disqualified for asserting the constitutional privilege upon inquiry into his loyalty to the Constitution.

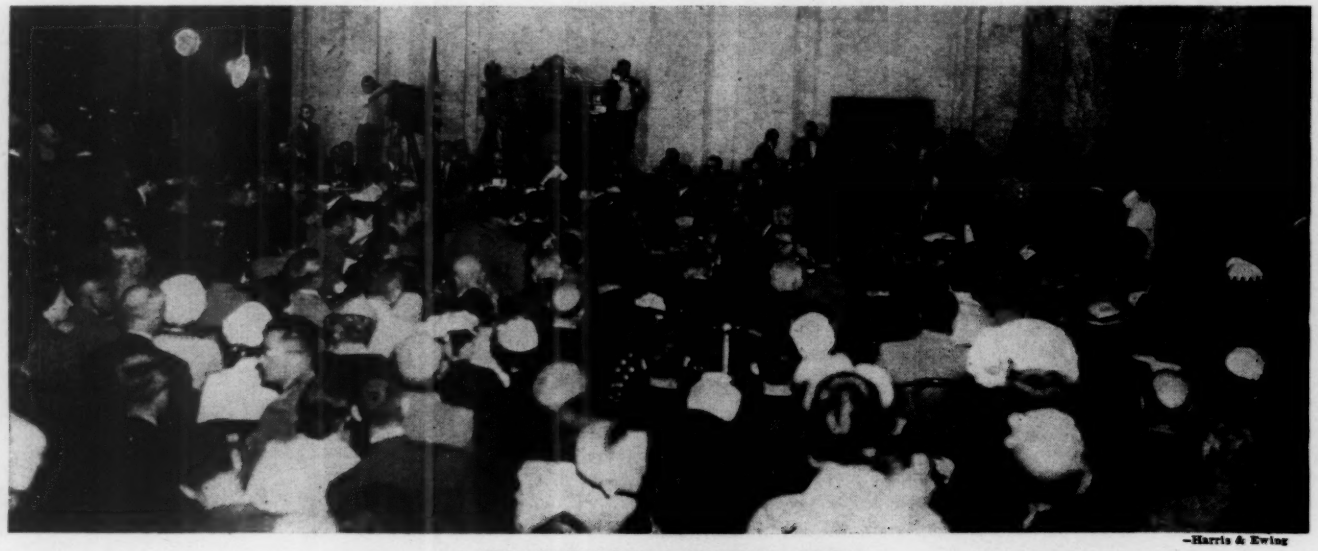
It is difficult to conceive any investigation more important to the administration of justice and to the government, both State and national, than whether a lawyer, an officer of the court, a privileged person by reason of his license from the State, is affiliated or is connected with the Communist Party or other subversive organizations or subversive persons. Such an inquiry involves the possible future existence of our nation and the security of all of our people.

Loyalty to nation alone should be a sufficient incentive to speak truthfully and frankly when properly interrogated, but the inherent loyalty that an individual owes to his country added to the greater responsibility of being an officer of the court, and therefore a trustee of the future privileges of our citizens, certainly compel frankness and truthfulness in this regard.

While there is a constitutional right not to testify if a witness in good faith believes his testimony might incriminate him, this right flows to a person as an individual. It never was intended to protect a witness in an office. And it cannot prevent the court from determining whether the witness publicly invoking the Fifth Amendment has not cast such suspicion on his fitness as an officer of the court that he should no longer enjoy the privilege. The court may not only withdraw its certification of him to the public and strike his name from its rolls, but it has the duty under such circumstances to do so.

To summarize, it seems to me clear that the privilege against self-incrimination conferred by the Fifth Amendment does not, properly construed and limited, so hamper our effort to preserve our way of life that it must be sacrificed or abandoned. The danger lies rather in the intentional misuse and the inadvertent extension of the privilege to mask attempts to destroy the Government.

As informed citizens and particularly as lawyers, we bear a solemn duty to reveal these serious errors and to restore the privilege to its rightful place and scope among our treasured liberties.



—Harris & Ewing

A CONGRESSIONAL HEARING ROOM

"The witness can properly decline to answer only if there is danger of a criminal prosecution"

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Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

DOES IT PAY TO BE A TEACHER?

"Help wanted" signs for teachers are going up in almost every school district in the land.

People are leaving teaching jobs faster than new teachers are being trained.

Low pay seems to be the chief reason. But there are other problems, too.

Latest reports on wage trends in this country show why there is a shortage of qualified schoolteachers and why that shortage is likely to increase in years ahead.

A young man or woman, looking at the economic facts of life, turns up with this picture of teaching as a career:

• Starting pay is low. A survey by the Economic Unit of *U. S. News & World Report* shows that, in 1955, starting salaries for teachers with college degrees range from $1,050 to $3,912 a year in 116 representative school districts. By contrast, the Federal Government offers most new stenographers $3,415; new librarians, $4,525.

• Nonteaching jobs, not requiring an expensive education, pay more than a teacher is likely to get for many years after leaving college. In New York City, a college-graduate teacher begins at $3,450 yearly; the average driver of a heavy trailer truck earns $4,410. In Detroit, a beginning teacher gets $3,862; the average carpenter, $4,846 and the average tool-and-die maker, $5,304. Unlike the schoolteacher, carpenters and toolmakers are paid while learning their trades.

• Scholarship, more and more, has to be its own reward. It pays less and less in cash, by comparison with other fields. Some people are shocked to find that the average railroad engineer earns more than the average college professor. This wasn't always true. The engineer's "real" income—with allowances for higher taxes and living costs—advanced 57 per cent between 1904 and 1953, while the professor's "real" income dropped 2 per cent.

• Extra training, too, pays off less in teaching than in most lines of work. A youth who chose teaching as a career in 1948 and spent more than six years getting his Ph.D degree would find, in 1955, that the public-school system offers him at most $4,920 a year as a beginning teacher. A friend of his who spent seven years—four in college and three on the job—could get $6,390 as a statistician with the Federal Government. Another who trained as an economist could get $8,990 from the Government, after at least four years' training and three years' experience.

• The clinching point about teaching, for many bright young people, is that the profession offers small opportunity for a really high income, a really substantial financial reward for effort, even to those who climb to the top of their

(Continued on page 98)

1.6 Million New Teachers in Next 10 Years

NOW IN PUBLIC SCHOOLS

1,066,000 teachers

NEEDED IN THE NEXT 10 YEARS

1,626,000 teachers

[To care for increased enrollments — 460,000 To replace retiring teachers — 1,166,000*]

BUT—

AT PRESENT RATE, COLLEGES WILL GRADUATE ONLY

870,000 teachers

[Colleges now graduate about 87,000 teachers a year. Many of these never actually teach.]

* Assumes that 9 per cent of the teachers quit each year, as in the past.

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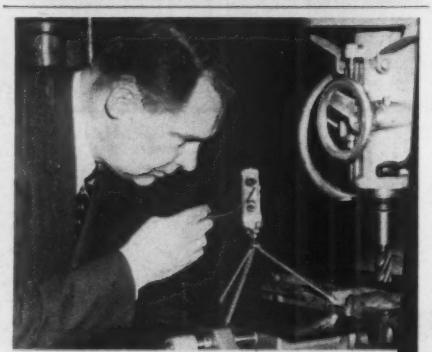

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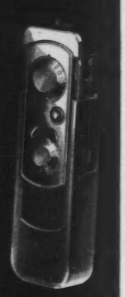

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Making $10,000 a year: 41 per cent of doctors, 28 per cent of lawyers, fewer than 5 per cent of educators . . .

field. That is the lesson being drawn from a new report by the Fund for Advancement of Education, which shows that, in 1949, fewer than 1 per cent of the men schoolteachers, and only 5 per cent of the college presidents and professors, earned $10,000 yearly. By comparison, 41 per cent of the physicians and 28 per cent of the lawyers had moved into an income bracket of $10,000 and up as their careers matured.

Shortage: how big? Against the background of low earnings in the education profession, schools are moving toward a new kind of crisis: a growing shortage of trained teachers and administrators for the nation's new schools.

Well-established figures show that, if the country succeeds in building all the new schools needed, it may be impossible to find enough teachers with minimum college educations to staff them.

Already, schools are using more than 220,000 teachers who have less than a college education. Many of these teachers prove to be good workers in the classroom, eager for further training in their spare time. But many others are regarded by local authorities as "stopgap" teachers.

All signs indicate that the shortage of fully qualified teachers is to get much worse. Within the next 10 years, the number of children in public grade schools will increase by 23 per cent. High-school enrollments will rise 59 per cent. Colleges are due for a 50 per cent increase in students.

What this means in terms of teachers needed is shown by the chart on page 97. This chart is based on a study made by the National Education Association.

The NEA's experts predict a need for 1,626,000 new teachers in the next 10 years. This allows for a moderate reduction in the amount of overcrowding in classrooms and an end to half-day sessions that many schools have adopted.

Chances of getting that many new college-trained teachers appear almost nonexistent in the view of some educational authorities. Colleges last spring graduated about 87,000 teachers, which is a smaller number than the 95,000 who left the school systems because of retirement, a change of jobs or death.

LAG IN TEACHERS' SALARIES — What One Study Shows

	Average Salary (1953)	Change in Purchasing Power (1904-53)
University professor	$ 7,000	DOWN 2%
Railroad engineer	$ 7,352	UP 57%
University instructor	$ 3,700	UP 38%
Railroad conductor	$ 6,676	UP 68%
High-school principal (big city)	$ 9,156	DOWN 30%
Railroad official	$11,592	UP 11%
High-school teacher (big city)	$ 5,526	DOWN 1%
Railroad fireman	$ 6,180	UP 137%
Grade-school teacher (big city)	$ 4,817	UP 60%
Auto worker	$ 4,947	UP 140%
Small-town schoolteacher	$ 3,190	UP 119%
Telephone operator	$ 3,224	UP 111%

Basic data: Rumi-Tickton study, Fund for the Advancement of Education

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. . . Nearly half of teacher trainees take other jobs

At the present rate of training, colleges will turn out only 870,000 teachers in the next decade, about half as many as are needed.

On the basis of past experience, many graduates trained for teaching will not actually teach. Only 56 per cent of the young people trained for high-school teaching posts are going to work in the schools, the NEA finds. About 78 per cent of those trained for grade schools actually enter teaching. The "drop-outs" find better jobs elsewhere.

Other problems. Special hazards of a teaching job keep quite a few young people from entering the educational field and they drive others out of teaching after a short trial.

For example, educators mention the frustration of trying to teach in overcrowded rooms; the problems of dealing with unruly children; the fear that teachers have slipped a notch in public esteem because of recent attacks on teaching methods, textbooks and courses.

The pay problem, however, is seen as the real roadblock to a big expansion in the numbers of qualified, well-trained teachers and instructors.

With higher pay scales, school officials are confident they could attract more college students into the teaching field, keep more of their trained teachers from drifting off into other jobs and lure back many of those who already have quit the schools for industry and Government jobs.

Salary comparisons. At present, despite sizable increases in salaries in many areas, most pay scales for teachers are not quite keeping pace with the rise of wages in a number of other fields.

According to estimates by the Economic Unit of *U. S. News & World Report*, based on official Government data, the average annual salaries of public-school teachers rose from $3,805 in 1954 to $3,995 in 1955, for an increase of $190.

In the same period, Government workers got an average raise of $224; communication and utility workers, $195; transportation workers, $192; workers in factories, $264; workers in mining, $360.

Farm workers and those in construction, trade and finance got smaller pay boosts than schoolteachers, on the average, between 1954 and 1955.

To put it another way, real income of teachers, after allowing for increases in living costs, has gone up an average of 44 per cent since 1940. Workers in industry as a whole have had a 55 per cent rise in real income in the same period. Until the teachers catch up financially, the shortage of trained people may increase in all levels of U. S. education.

MALLORY-SHARON reports on
TITANIUM
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Notice the dimpled appearance of the engine jacket? By dimpling or "design-strengthening" the entire surface, thinner gage titanium can provide the same structural strength as a thicker smooth piece.

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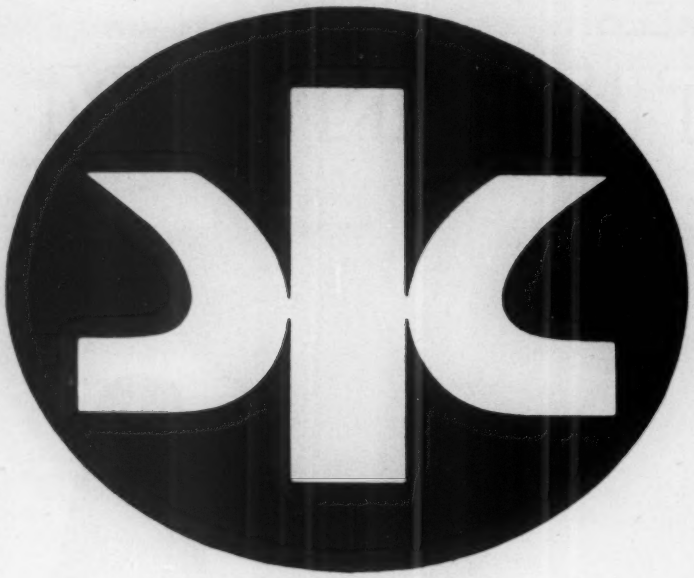

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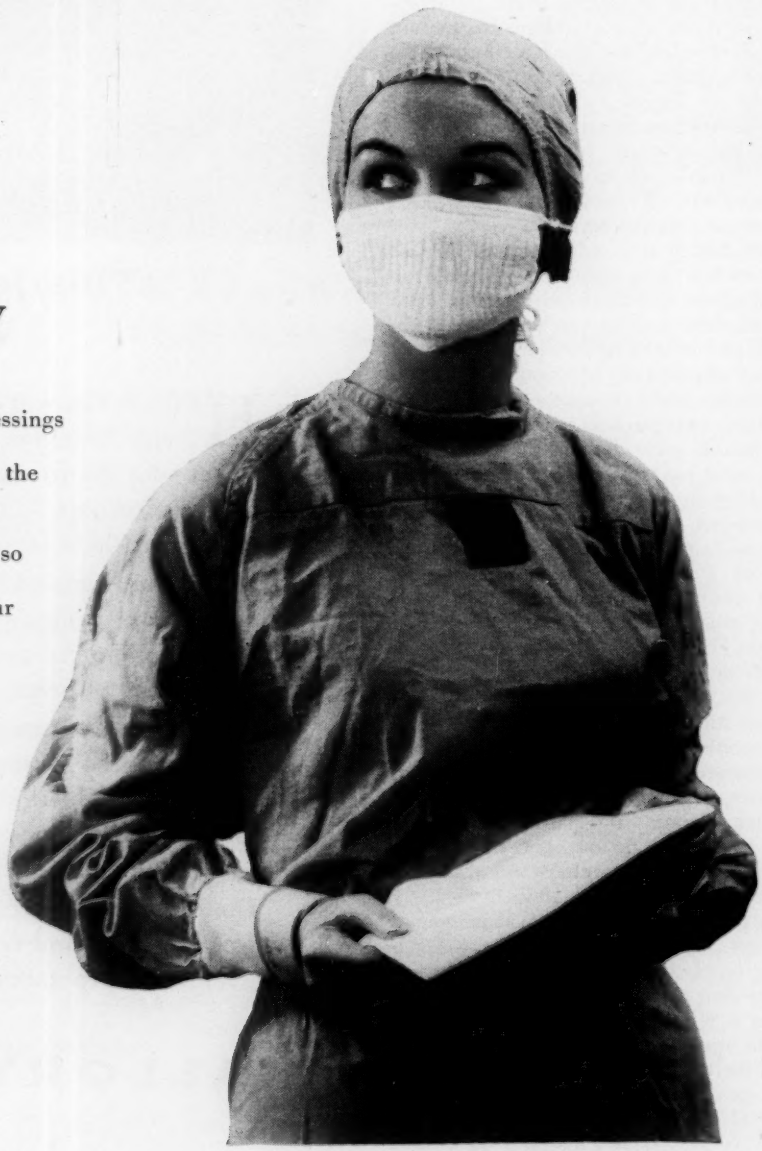
Kimwipes industrial wipers • Sanek beauty and barber products • Marvalon shelf and drawer lining
Papers for catalogues, business forms and labels; for converting, technical and specialty uses.



News YOU Can Use ®

IN YOUR PERSONAL PLANNING

24th and N Streets, N.W.
Washington, D.C.

A program to channel home-building funds into areas where people have trouble finding willing lenders now is getting into high gear.

MORTGAGE MONEY. The program was authorized under the 1954 housing law. Now the shakedown period is over, and loans are being approved at an increasing pace. These loans go to people in areas where mortgage money is tight. Usually that means small communities away from financial centers, or in places where members of minority groups have difficulty getting home-buying credit.

Idea of the program is to encourage outside lenders to come in with funds when local banks or savings associations have had to turn applicants down. Critics at the program's start said this voluntary scheme would never work. But last month alone nearly 2,000 loans totaling 15 million dollars were made.

CREDIT APPLICATIONS. Set up to administer the program are 16 regional committees of housing experts and financial officials. They screen applications, turn them over to big investors in home mortgages--insurance companies, for example--that are looking for places to lend money.

If your real estate broker or lending institution can't help you apply for a loan through the regional committee, you can get the needed forms from the national headquarters. Write the Voluntary Home Mortgage Credit Program, Housing & Home Finance Agency, Washington 25, D.C.

ELIGIBILITY RULES. Note that the program's aim isn't to get loans for people who have poor credit ratings. You have to be eligible for Veterans' Administration or Federal Housing Administration financing. But, in many areas, loans on VA and FHA terms haven't been available even to good credit risks. That's the situation the program is designed to correct. Under it, 40 per cent of all applications filed are being approved for loans.

POLIO. A Government authority says single shots of Salk vaccine provide "substantial protection" and, if widely given, might prevent epidemics next year. He is Dr. Alexander D. Langmuir, head of a U.S. Public Health Service unit set up to tabulate results of the vaccine's use among children last summer. In a report at a medical meeting, he said preliminary figures from 11 States show paralytic polio was two to five times as frequent among nonvaccinated children as among vaccinated. Since new tests went into effect, Dr. Langmuir adds, there has been no incident that would reflect on the vaccine's safety.

(over)

INSURANCE. The U.S. Court of Appeals for the Third Circuit puts a liberal interpretation on the word "use" in automobile insurance policies that provide coverage if you allow someone to use your car.

The case involved a policyholder who had given his son and another youth permission to use his automobile. An accident occurred while the son's friend was driving. The Court decided the policy covered resulting damage claims even though the owner hadn't given the son's friend specific permission to drive.

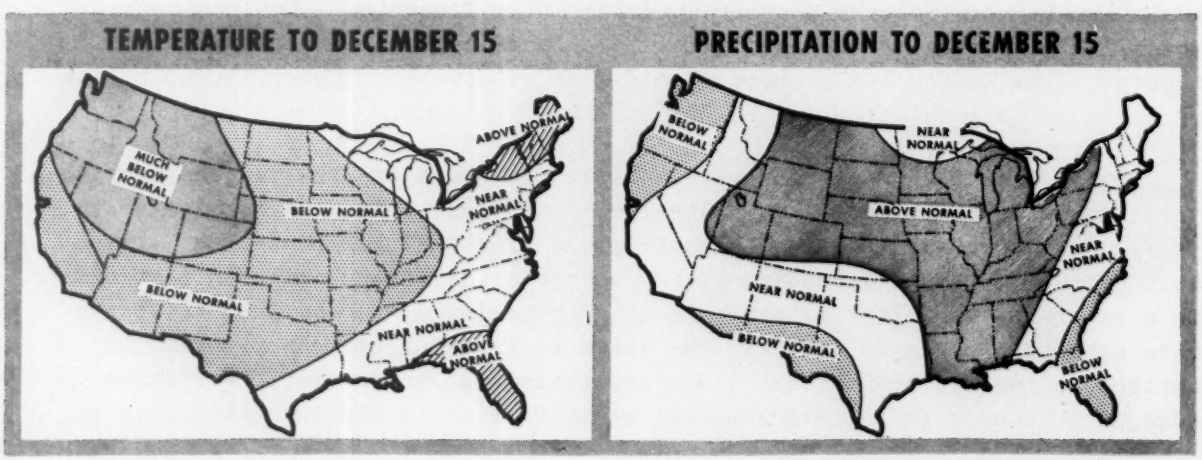
HIRING MAIDS. A Social Security problem that crops up when two persons share an apartment and split the cost of paying a maid is settled by the federal tax collector. In such a situation, the individuals may each be paying the maid less than $50 a quarter--dividing line that determines whether payment of Social Security taxes is required. Together, though, the amount they pay may top that figure. When this happens, the tax collector says, the maid is considered to have a single employer, and Social Security taxes must be paid on her total wages. Either of the hiring individuals can file the necessary return.

MILITARY SERVICE. Readers ask where they can get the book, "Your Life Plans and the Armed Forces," which we told you about a while back. It's a guide for youths facing military service. Can be bought--at $2--from the American Council on Education, 1785 Massachusetts Ave., Washington 6, D.C.

AIR TRAVEL. A tip for relieving "plugged ears" that may come with air travel is offered in the medical magazine, "General Practitioner." Blow your nose gently and clear your throat. Close your mouth, pinch your nose and try to inhale vigorously. That tends to equalize air pressure within the ear.

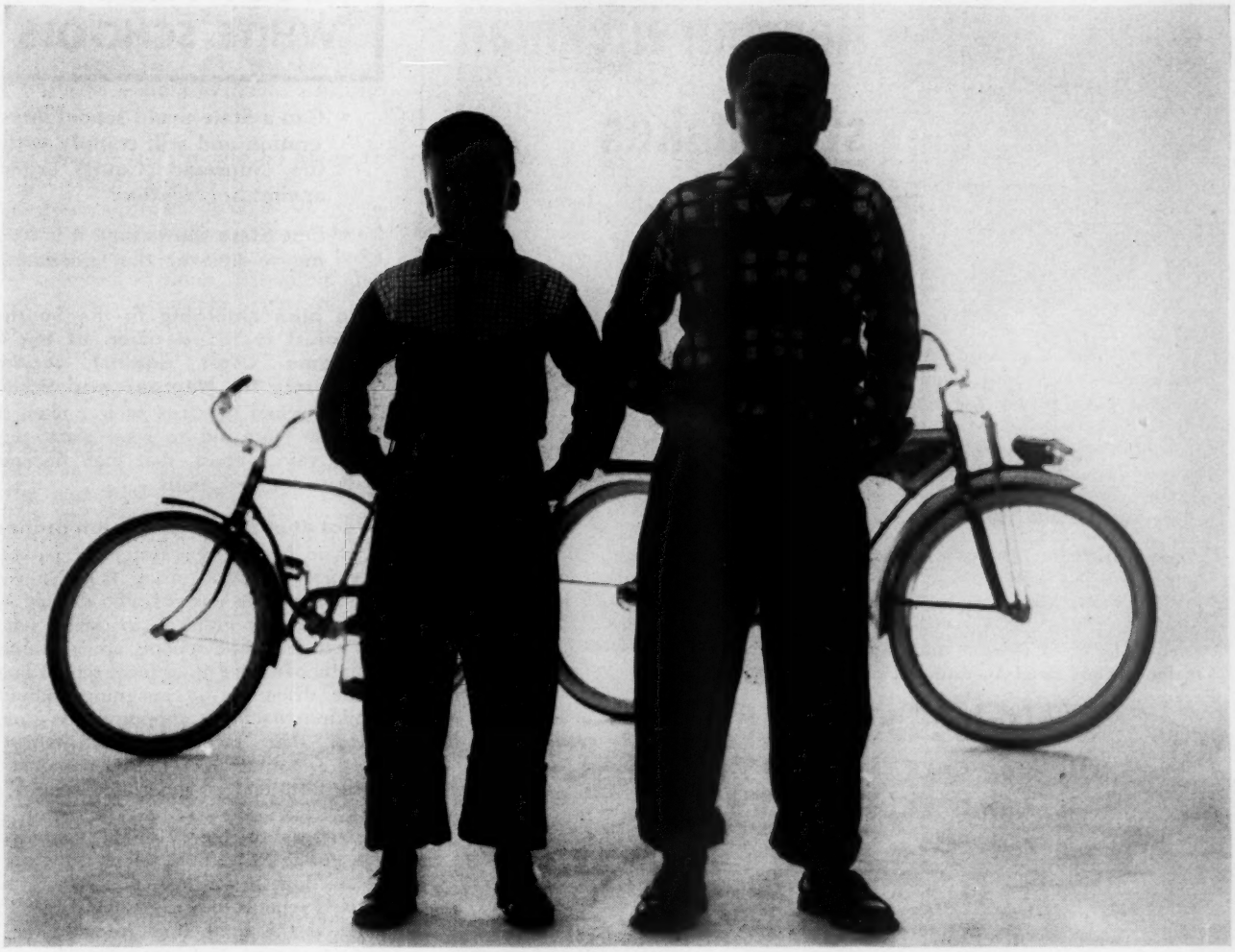
RESERVES. This for that boy of yours interested in the Reserve program that permits youths 17 to 18½ to sign up for six months of active-duty training instead of the regular two-year draft: The Army says it isn't planning adjustments to fit Reserve training periods into college schedules. Once it was proposed that college youths be allowed to take the training in two three-month sessions. This proposal has been set aside as too costly for the Army.

WEATHER. Below-normal cold weather that has gripped the West isn't to let up for a while. That's the Weather Bureau's outlook on which these maps are based:

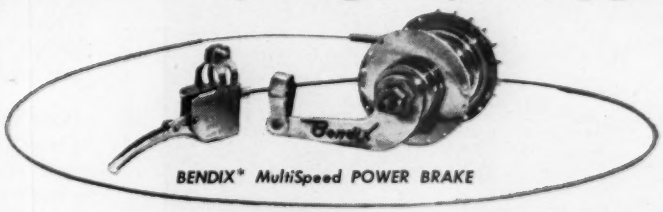


A THOUSAND PRODUCTS **Bendix** A MILLION IDEAS

AVIATION CORPORATION



Gives the little boy big-boy stopping power!



If there's been talk about a new bicycle for Christmas and you're beginning to weaken, make it the *safest* bike you can buy. Tell the dealer you want it equipped with a Bendix MultiSpeed Power Brake—the coaster brake that gives a little boy big-boy stopping power.

The brake's high and low-gear design makes it easier for every youngster to start and stop. And it lets him brake with his *feet*—the way he is used to braking. There are no confusing hand manipulations that could lead to accidents—a prime reason the Bendix MultiSpeed Power Brake is offered by every American bicycle manufacturer and commended by Parents' Magazine!

This is one of a thousand well-conceived, well-designed, thoroughly engineered Bendix products and systems manufactured by our twenty-four divisions for scores of basic industries—aviation, automotive, electronic, marine, communications, railroad, farm, construction and many others. We'll be glad to send you the brochure "Bendix and Your Business" with suggestions how some of our products might contribute to your particular operations.

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Acoustimetal ceilings swallow up distracting noise and make offices quiet, pleasant places to work in. Fireproof perforated metal panels, backed with incombustible pads, are easily wiped clean with a damp cloth. Repainting doesn't affect sound absorption. Each Acoustimetal unit is easily removed for quick access to utilities. When you build or remodel, include a Gold Bond Acoustimetal ceiling in your plans.

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We've Been Asked:

ABOUT PLAN FOR WHITE SCHOOLS

- Can a State avoid school integration and still comply with the Supreme Court order against segregation?
- One State shows how it is trying to answer that question.

Is a plan emerging in the South to adjust to the decision of the Supreme Court against separate schools for Negroes and whites?

Yes. Virginia now has such a plan, calling for State aid to send some pupils to private schools, that may become a pattern for the South.

What does the Virginia plan propose?

A main feature is a system of payments for private-school tuition, from State and local funds, to parents who do not want to send their children to mixed schools or whose public schools are abandoned. Another feature gives local school boards wide discretion in assigning individual children to schools, supposedly on grounds other than race. No child—white or Negro—could be required, against his will, to attend an integrated school.

Members of the Virginia Commission on Public Education, which drew up this plan, hope it will open the way to avoid mixed schools in areas not wanting them and at the same time to meet the Supreme Court ban on segregation. The choice for individual localities would be to integrate schools, with tuition grants for those preferring to attend private schools; to assign children to separate public schools; or to abolish public schools altogether. The plan deals with elementary and high schools but not colleges.

How much would a tuition grant be?

These grants would vary from one locality to another. If a child wanted to go to a more expensive private school, his family would have to supplement the tuition payment. Where public schools are retained, the grant cannot be more than the average cost of educating a child in his community in the preceding year. Individual grants may range from about $150 to $350. These tuition payments would not be available to children attending church schools.

Suppose parents collect a tuition grant, but do not send their child to school?

Then the parents would be liable for prosecution.

Would compulsory attendance at school continue?

That law would remain on the books, but a possible loophole is opened. Suppose a county closes its public schools. A child could not be sent to a public school and, it is believed, he could not be compelled to take a grant to attend a private school.

What new powers would be given to local school boards?

Local boards would be able to assign students to individual schools on almost any basis so long as segregation by races is not specified. In effect, that would give boards power to continue segregation of pupils. Similarly, Negro and white teachers could be assigned to schools by local boards.

Here is what the Virginia Commission says about assignment of pupils: "Assignments would be based upon the welfare of the particular child, as well as the welfare and best interests of all pupils attending a particular school. The school board should be authorized to take into consideration such factors as availability of facilities, health, aptitude of the child and the availability of transportation."

Could a child appeal his "assignment"?

Yes. He could appeal all the way to the Virginia Supreme Court of Appeals.

How could a school board close a public school?

By the simple means of withholding funds for its operation.

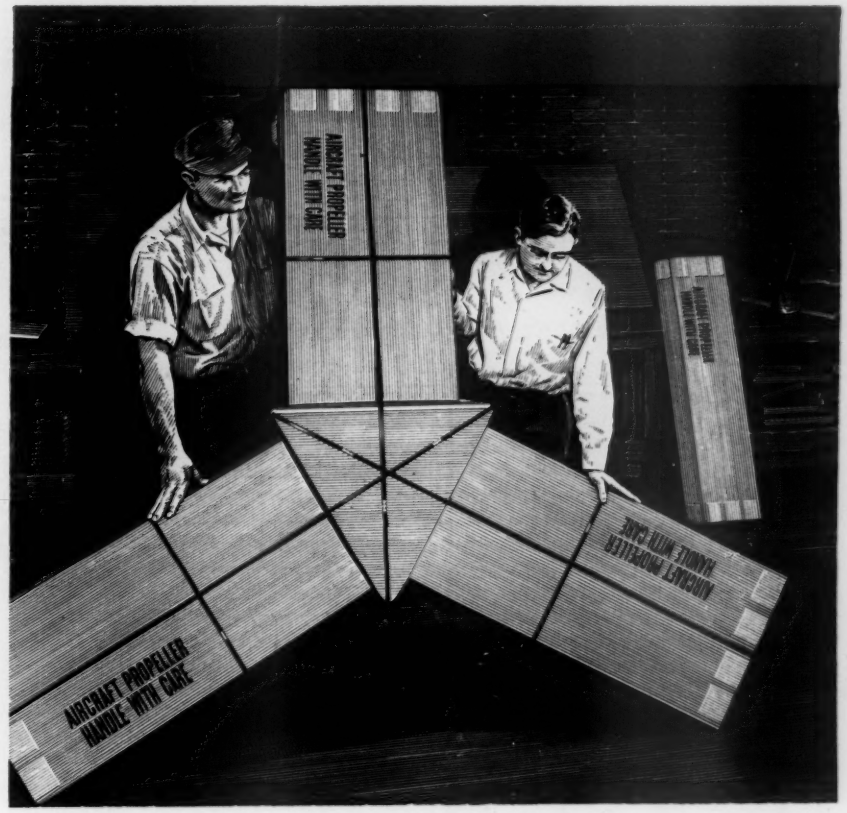
Must Virginia laws be changed to put the plan in effect?

Yes. A special session of the Virginia General Assembly has been called for November 30. The plan calls for a State referendum on a proposal for a convention to change the Virginia Constitution to allow tuition grants. Other legislation also is needed.

What is the outlook for the plan?

The general expectation in Virginia is that this plan, possibly with some variations, will be approved in time for the start of the 1956-57 school year. Schools in a few areas of Virginia, having small Negro population, may have some mixed attendance next year, but most of them are not expected to.

The Virginia plan, however, is not to have clear sailing even if adopted. Some groups in favor of integration already are preparing court actions. They contend that the plan would undermine or destroy free education in Virginia. The U. S. Supreme Court is likely to have the last say on the constitutionality of the plan.



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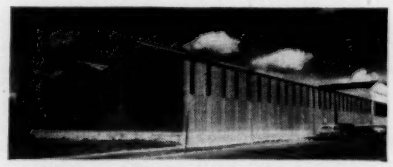
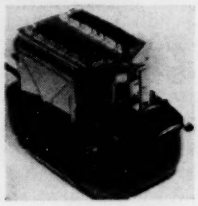


Buildings made of ALUMINIZED STEEL (Type 2) are strong; resist rust, heat, fire.



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Trend of American Business®

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Washington, D.C.

"Go slow" signals still are being flashed by authorities in Washington.

Boom in business, to these officials, shows some sign of economic fever.

Official goal is to slow down the pace of business expansion, or at least to keep the expansion from going ahead too fast.

These signals are implicit in the action of Federal Reserve Banks in raising discount rates for the fourth time this year. Rates now are pushed to 2.5 per cent, highest since 1934.

What this means is that banks that are members of the Federal Reserve now must pay 2.5 per cent to Reserve Banks when they borrow funds to make new loans. At the start of this year, the rate was 1.5 per cent.

Desired effect is to put a check on lending by banks. Banks now, on the whole, have to borrow to get reserves for new loans. Latest statement shows bank borrowings to be close to 1.2 billion dollars.

Future borrowings will cost member banks more money. Banks, in turn, are likely to hike the interest rates on loans that they make to customers. That, in theory, will discourage some borrowers.

What's happened, really, is that Federal Reserve officials have given the screw another turn in the "tight money" policy that they are following.

Federal Reserve Board statements show why this move was made.

Business loans of member banks in leading cities increased by more than 1.4 billion dollars in the July-September period this year. That compares with a drop of 869 million in the same period of last year.

Total loans of banks are more than 8 billions higher than a year ago. The total for city banks now stands at 46.6 billions.

Loan expansion in the week ended November 9 came to 105 millions.

Official feeling, obviously, is that too much credit is being pumped into the business system. A good part of the boom that has occurred this year has floated on rising mortgage, consumer and business credit. That, in the opinion of money managers, could get to be unhealthy.

The higher discount rate also may discourage lending by banks.

Banks over the last year have sold 7 billion dollars' worth of Government securities in order to increase their loan portfolios.

In other words, banks have been switching from investments to loans.

Switching, from now on, may become less attractive. Higher interest rates can be expected to lead to lower prices for Government securities. Banks thus may not be able to switch without taking bigger losses than they wish on securities.

Hoped-for result is that banks themselves will tighten loan policies.

Choice for banks, in general, is either to borrow from the "Fed" or to sell

(over)

some securities if they want to expand loans. Either course now promises to cost banks more money. That may be persuasive against loan expansion.

Basically, you have evidence that the official line at the moment is that inflation is more of a threat than deflation.

Tax policy of the Administration is likely to reflect this attitude.

Tax cuts in 1956 are quite likely to be opposed by the Treasury and the President's economic advisers if the boom keeps zooming along during the year.

A budget balance is in sight, says Budget Director Rowland Hughes, but he shies from stating that this can justify lower taxes.

Congress, however, will have the last word on taxes, and the signs are that the temptations of an election year will prompt tax reduction.

You also have the word of Treasury Secretary George M. Humphrey that the Administration can reverse policies if conditions call for a reversal. Says he: "We are not the slave of any particular aspect of our flexible policies. We regard inflation as a public enemy of the worst type. But we have not hesitated, either, to ease or restrict the basis of credit when need was indicated."

There's no sign, though, of a need for reversal now.

Other signs suggest that the boom may be close to its crest.

Industrial production, measured by the Federal Reserve Board, advanced no more than seasonally in October. Output of mine, mill and factory is put at 142 per cent of the 1947-49 average, same as for September.

Actual output, without regard for the season, rose from 142 per cent in September to 146 per cent in October. It still is at a record high.

The Board notes, too, that production, employment, incomes and retail sales are running at "exceptionally high levels" at this time.

Factory output of hard goods--termed "durables"--rose in October to a peacetime high at 161 per cent, seasonally adjusted. That was within 5 per cent of the all-time high in November, 1943, when war production hit a peak.

Soft-goods production, at 128 per cent, matched the record of last June.

Output of minerals, chiefly coal and oil, also continues to be high.

Actually, production cannot advance very much from current levels. A good part of industry is bumping up against capacity.

Production gains are reported for October in steel, autos and trucks, nonelectrical machinery and other producers' equipment.

Some slippage in output is reported for household goods. Strikes and shortages of parts and materials are said to be responsible for the slight dip.

In soft-goods lines, gains are reported for textiles, apparel, rubber and leather products. New records were made by chemicals and paper producers.

Farmers continue to be the forgotten men of the boom.

Farm outlook, reported by Agriculture Department, is for lower prices, on the average, in 1956 than the average for this year. Only hopeful note sounded is that next year's prices may be no lower than they are now.

Farm costs, on the other hand, are expected to stay high.

Farm income, as a result, is expected to be down a bit from this year.

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The Armstrong vinyl-bonding adhesives offer a range of strength, tack, open time, and bond flexibility that suits them to any production requirement. For example, if you want to apply vinyl around radii where clamping is impracticable—as on the end posts of folding doors—you can get an Armstrong adhesive with the high immediate strength you'll need.

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For more information on these and other adhesives, send for a copy of our 1955 catalog. It's free to industrial users. Write Armstrong Cork Company, Industrial Division, 8011 Dunlap Road, Lancaster, Penna. In Canada, 6911 Decarie Boulevard, Montreal.

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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN** perhaps get a court to stop a group of outsiders from ***picketing*** your place of business to persuade you to make your employes join a union. A State supreme court finds that such picketing by a group not employes and not representing any employes is against public policy of the State.

* * *

☑ **YOU CAN** probably win a ***Government contract*** from the Department of Interior, in competition with a foreign firm, if your bid is not more than 6 per cent higher. This rule for evaluating bids of foreign firms in competition with American manufacturers is announced by the Interior Department, with indications that it may be extended to other Government agencies. U. S. suppliers in labor-surplus areas are allowed a 12 per cent differential.

* * *

☑ **YOU CAN** now begin printing next year's form W-2 for reporting ***tax withholdings*** to your employes and to the Government. The Internal Revenue Service releases the 1956 form W-2 with instructions for its printing by employers who make their own copies.

* * *

☑ **YOU CAN** sometimes do better in raising ***operating capital*** for a small business firm by offering securities rather than by borrowing money. Opportunities for small businesses to do such financing are explained in a leaflet, "How the Securities Act of 1933 Affects Small Business." Copies are available at field offices of the Small Business Administration.

* * *

☑ **YOU CAN** perhaps obtain more ***aluminum*** for civilian goods in the first six months of 1956. The Director of Defense Mobilization cancels Government calls for the metal for stockpiling from January through June. Release of aluminum during the first quarter already had been announced.

* * *

☒ **YOU CANNOT,** as an employer, legally insist that a union contract have a clause regulating the make-up of an employes' ***shop committee.*** The

National Labor Relations Board holds than an employer failed to bargain in good faith by doing this.

* * *

☒ **YOU CANNOT** expect to get ***tax exemption*** for a trust that earns most of its income from business activities even though all of its income eventually will go to charities. This is the ruling of a court of appeals where the trust was not at the time engaged in charitable work.

* * *

☒ **YOU CANNOT,** as operator of a ***dairy plant*** that uses the inspection service of the Agricultural Marketing Service, fail to comply with new requirements. The Department of Agriculture revises its minimum specifications for such plants that manufacture, process and package dairy products.

* * *

☒ **YOU CANNOT** look for an early end of Government restrictions on imports of white ***potatoes.*** The Agriculture Department continues through June 30 rules on grades and sizes of such potatoes.

* * *

☒ **YOU CANNOT** avoid responsibility for ***discrimination*** in promotion of employes if you turn over to a union the control of promotions. An employer who follows such a course, says NLRB, must share responsibility with a union where an employe is discriminated against in violation of the Taft-Hartley Act.

* * *

☒ **YOU CANNOT,** in figuring the ***income tax*** of a corporation, take a deduction for the misappropriation of funds by a company officer unless you can show the amount and the year of the loss. The U. S. Supreme Court, by refusing a review, leaves in effect this ruling of a lower court.

* * *

☒ **YOU CANNOT** count on collecting damages from the Government for destruction to your property resulting from ***nuclear-bomb tests.*** A U. S. district court holds that, under federal law, the owner of a ranch located near a testing ground of the Atomic Energy Commission has no cause of action against the Government as a result of his claim for damage to his property.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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PLUS & MINUS
Latest Indicators of Business Activity

Business activity has shown new strength, accompanied by higher prices for stocks and commodities and a further tightening of the money market.

Department-store sales rose to 124 on the indicator in the week ended November 12, up 9 per cent from a year ago and equal to the average rate in July, best month of the year so far.

Factory output held at 144 on the indicator, equal to the October rate, highest in history.

Auto plants turned out 181,230 passenger cars, as estimated by Ward's Reports, Inc. That was only 2 per cent below the record in April.

Steel mills operated at 99.6 per cent of capacity.

Electric-power output was 18.3 per cent above a year ago.

Industrial stocks, measured by the Dow-Jones average, rose to 487.38 on November 16, up 11 per cent from their October low. They have regained almost all their recent losses.

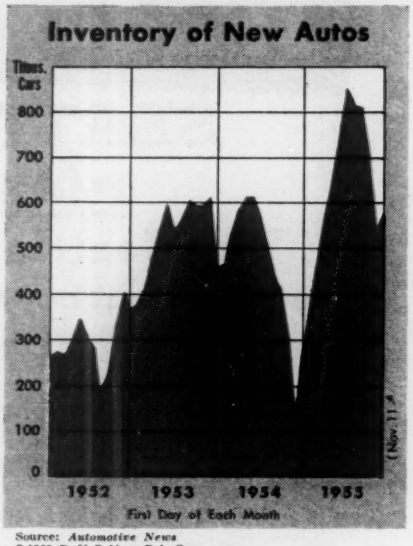
Prices of raw materials are firm. Steel scrap, rubber, tin, print cloth were up in the week to November 16.

Bank loans to business soared 361 millions at weekly reporting banks in the two weeks ended November 16.

Interest rates have stiffened again. The Treasury paid 2.248 per cent on its issue of bills dated November 17, up from 2.034 in the previous week. The commercial-paper rate rose again on November 14. Yields on Treasury bonds have been rising since November 1. Six Federal Reserve Banks increased their rediscount rate from 2¼ to 2½ per cent on November 17.

Capital-goods purchases by business are drawing heavily on supplies of raw materials, swelling employment and incomes. By all signs, plant and equipment spending will be up sharply in 1956. Construction will exceed this year's by a small margin, unless home building sags badly.

Industries producing and using metals are getting a strong boost from capital expenditures. In October, output of primary metals was 31 per cent above a year ago. There was a 15 per cent gain for metal-products manufacturers. This group includes makers of machinery, railroad equipment, autos, aircraft, ships, appliances, plumbing and heating equipment.



Source: *Automotive News*
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Inflationary pressure is rather strong in such industries. From June to October, manufacturers' prices of steel rose 7 per cent, nonferrous metals 11. Among finished goods, there were increases of 10 per cent for metal doors; 5 for plumbing equipment, machinery for agriculture, construction; 7 for oil-field machinery.

Building materials averaged 4 per cent higher in October than in June.

For all commodities, wholesale prices are up only 1 per cent since June. Declines of 8 per cent in farm products and 5 per cent in foods have almost offset an average rise of 3 per cent for industrial goods.

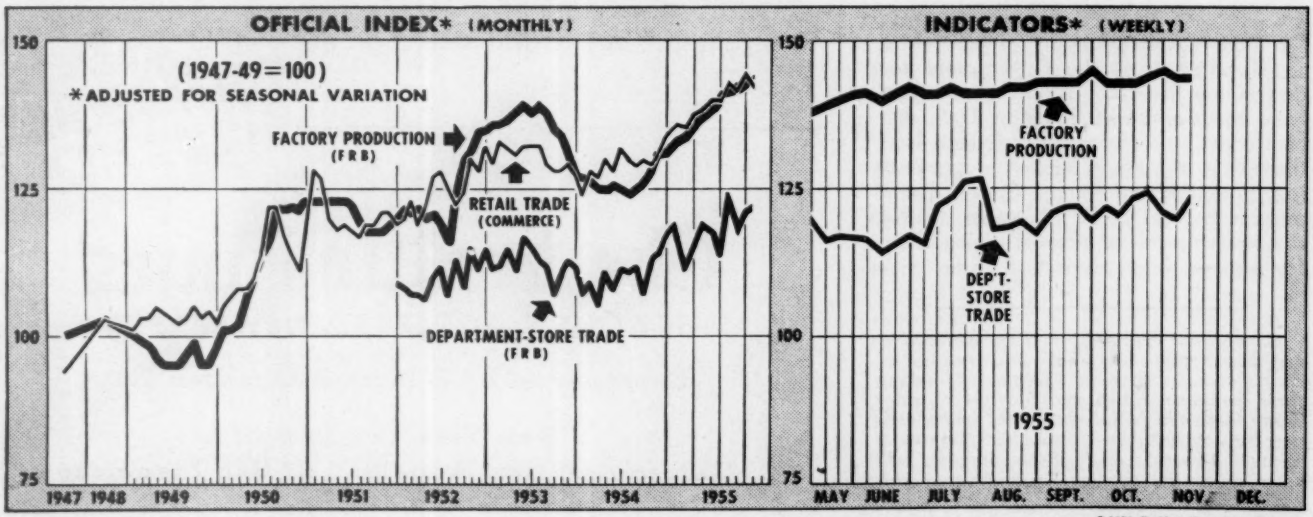
Relief from inflationary pressure will come next year if activity falls in home building and autos.

Builders started homes in October at a rate of 1,242,000 per year, up a bit from September. But FHA applications for financing fell 35 per cent below a year ago. VA-appraisal requests were the lowest in 18 months.

Auto dealers sold a third more cars in October than a year ago. Aided by factory shutdowns for model changes, dealers have cut their stocks of new cars to 575,000, down 273,000 from June 1, as the top chart shows.

Obstacles must be overcome, however, if the auto industry is to produce and sell as many cars in 1956 as in 1955. Dealer stocks are 417,000 above a year ago, when they were at a postwar low. The inventory pipeline will not need refilling in 1956 as it did this year. Also, auto prices are higher, credit terms stiffening a bit, model changes fewer.

Soft spots may develop in business activity next spring or later in 1956, but, at this time, total demand for goods is growing.



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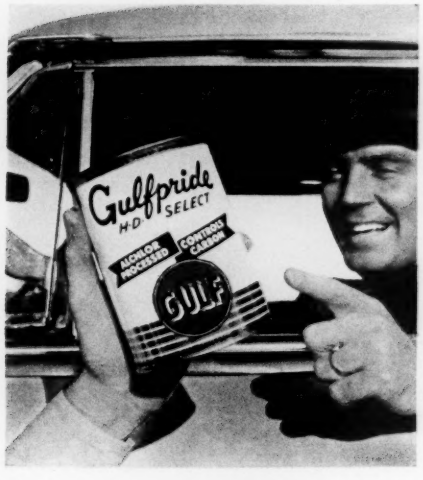
Why be handicapped by "Shrinking Horsepower"?



Are you sure you're riding the same horsepower you paid for when you originally bought your car?

The odds are you're not — that, as you use your car, you've been losing some of that horsepower along the way. Cause of this power loss is the build-up of harmful deposits inside the combustion chambers and on valves, pistons and rings. These deposits gradually cut down your engine's horsepower.

To avoid "shrinking horsepower," start using the oil that's specially made to guard against buildup of these power-robbing deposits . . . New Gulfpride H.D. Select.

Most important . . . New Gulfpride Select will control carbon that leads to *pre-ignition* — cause of knock and overheating. As a result, your car can retain new-engine horsepower and performance for thousands of extra miles.

Why hobble your engine's horsepower? Now that oil change time is here, switch to New Gulfpride H.D. Select. It's available in the *exact seasonal grade* recommended by the manufacturer of your car.

NEW **Gulfpride H.D. Select**

THE WORLD'S FINEST MOTOR OIL

GULF

Completely, daringly new!

The most exciting car

Longest... lowest... most powerful Lincoln ever built!

THE LINCOLN PREMIERE FOUR-DOOR SEDAN

you'll see in 1956!

You don't need a tape measure. One sweep of your eyes along that flowing span and you know—*this is the longest Lincoln of all time.*

It takes just one look, too—*over* the top—to tell you that Lincoln for 1956 snugs closer to the ground than any other fine car.

And there's still more—so much more—Lincoln newness you can *see.* Spacious, luxurious interiors, fashioned from exclusive new fabrics and leathers. Safety innovations, including new safety-flex steering wheel, triple-strength door locks and the largest windshield you'll see on any American car.

Then you set this beauty in motion—and experience the most brilliant motor car performance you've ever known.

Here, in Lincoln's new 285-hp engine, is *true usable power that works for your safety at every speed.*

Here, in Lincoln's famed suspension system and new power assists, is smoothing, soothing magic that puts a rug on every road.

You're invited to share in this fine car excitement, to see and drive Lincoln for 1956—any day you say.

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A Businessman Looks Ahead:

"TREMENDOUS MARKETS ARE GOING TO OPEN UP"

Here you discover why American industry is pouring billions into expansion.

Chrysler Corporation plans to spend a billion dollars in five years to prepare for future markets. L. L. Colbert, Chrysler president, tells what he sees ahead to justify the spending.

- **A rising level of business activity.**
- **High and rising pay for millions.**
- **New ideas and products—including an entirely new kind of engine for your car.**
- **An end to the era of one-car garages.**

Mr. Colbert looks for great industrial growth as population rises, incomes grow larger and people's wants increase.

Following are extracts from an address by L. L. Colbert to the National Press Club, Washington, D. C., on Nov. 10, 1955:

As it looks to us in Detroit, there is no end in sight to the tremendous needs of this country for the goods we produce. Our population is growing at the rate of about 3 million a year—and only a few short years from now it is going to start growing a lot faster than that, when the youngsters born in the early '40s start getting married and raising their families. The Census Bureau now estimates that 20 years from now the population of this country may be 228 million.

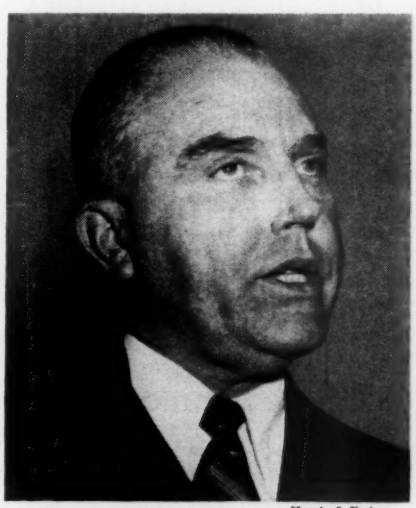
Here is another way to look at the present rate of growth in our population: In Washington, D. C., and the surrounding suburbs there are about a million and a half people. Every 12 months the net gain in the population of the country is enough to populate two metropolitan areas of this size. Or look at it this way: In 1940 the population of the country was 132 million. If the estimate of 228 million in 1975 is right, it means that in the 35 years between 1940 and 1975 our country will have grown by nearly 96 million people. In other words, we will add to our population in three and a half decades more Americans than were alive when Taft was elected president in 1908!

Facts like these are meat and drink to those of us who spend a good part of our time looking ahead at our potential markets and planning new productive capacity to meet the demands of those markets. We see a greatly increased rate of family formation starting in 1960—and in this age of the automobile each one of those families is going to want a car. Many of them will want and be able to afford two cars.

We see already-established families moving in a never-ending wave out from the central cities into the suburbs. We know from talking with our dealers that more and more people when they come in to buy a new car are deciding to keep their old one as a second car. We know from talking with builders and real estate people that in many suburban areas the two-car garage is rapidly becoming the standard, and they tell us that it is getting harder to sell houses with a one-car garage.

As I stated in Washington last spring, I believe that by 1975 the one-car family will be in the minority and that a large proportion of families will be using three or more cars.

But these facts are only part of the story. Listen to this: Fourteen million families in this country still do not own an automobile. Two out of every three women have not yet learned to drive a car. Nearly 6 million cars now on the road were built before World War II. We estimate that in the years ahead the automobile industry will have to build 4 to 5 million cars every year just to replace those that are scrapped. And we are going to be working full time to supply the increasing demand from people who will be buying cars for the first time and those who will buy second or third cars to make life more enjoyable.



—Harris & Ewing

L. L. COLBERT

Only a few years ago we in the automobile business thought a 6-million-car year was extremely unusual. But this year the industry is building 8 million cars—and we definitely do not look upon this as a temporary phenomenon. The sustained demand for both new and used cars this year is strong additional evidence of the still-tremendous unfilled needs for automobiles in this country. We have been particularly impressed by the way used-car prices have held steady in this very big market for new cars.

Entirely apart from the basic demand for good transportation in a rapidly growing country which is relying more and more upon automobiles, there is the further stimulation of demand for cars that comes from the yearly improvements in automobiles. The record sale of cars this year has been due in part to the drastic, industry-wide advance in

(Continued on page 118)

Universitas Orientalis Neo

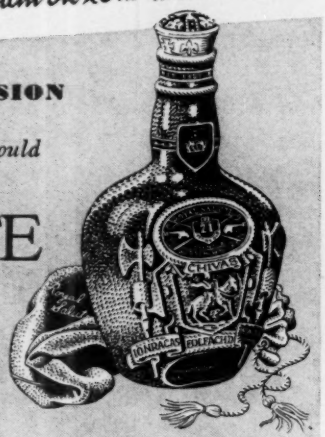
Praeses et Socii Universitatis Orientalis, omnibus ad quos litterae pervenerint, salutem. Testamur nos unanimi consensu Albertum Lynd ad gradum Doctoris Legum honoris causa proverisse eique omnia privilegia quae ad istum gradum attinent dedisse et concessisse. In cujus rei testimonium sigillum Universitatis. Datum die XVIII mensis Junii

THE HONORED OCCASION

When a famous university recognizes the achievements of an old friend, the gift should worthily commemorate the event.

ROYAL SALUTE

A Scotch whisky of rare age, in a ceramic commemoration flagon created by Royal Doulton, *of England*



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This announcement appears as a matter of record only.

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$25,000,000

3¾% Sinking Fund Debentures

due October 15, 1975

196,406 Shares

Common Stock

No par value

Private placement of the above securities has been arranged through the undersigned.

Smith, Barney & Co. Blunt Ellis & Simmons

November 10, 1955

"You have to move fast to beat competitors" . . .

the models introduced to the public last fall. But this fall another wide assortment of improvements has been presented to the public and, with competition as hot as it is, you can be sure that the industry will go right on creating new models and new features year after year.

It isn't too unlikely that within the next decade there will be an entirely new kind of engine powering your car. Already, as you may have heard, the whole industry is researching and experimenting and testing to find out how to build a production model of a gas-turbine engine. This is an engine that has no pistons—that needs a spark plug only to get started—an engine that needs no octane rating for its fuel. . . .

There are a great many problems ahead of us before we are ready to put an engine of this kind on the market, but some day this or some other new kind of engine will obsolete every car now in use. What if the gas-turbine should come in 10 years and an even more revolutionary engine in 20? What would that do to the idea that has appealed to some people of a nice, standardized car that never changes?

"Radical Developments"

In the automobile business you have to be ready for new and radical developments in product and in methods—and you have to beat the other company to those new developments if you can. Competition in this industry is in constant accelerating motion at every level. You have to move fast to beat your competitors, and when you do beat them you generate new competitive energies on their part. That's the nature of the business, and we wouldn't want it any other way.

Competition of this kind is creative. It makes innovation inevitable. It demands efficiency and higher productivity year after year. It brings values up and costs down. But, beyond all these things, competition creates interest among millions of people in new and better products. It creates markets—and these markets mean jobs and opportunity in virtually every other economic activity in all parts of the country.

One of the most powerful stimulants for the economy at the present time is investment in plant and equipment by industry generally to prepare for the tremendous markets that are going to open up in the years ahead. You know that business investments in new plants and equipment are running at the highest rate in the history of the country—very close to 30 billion dollars a year.

. . . In 5 years, "a billion dollars for expansion"

You know also that the automobile companies have been investing very large amounts in expanded facilities to keep pace with the growth of the country and to get the jump on their competition if they can. At Chrysler Corporation we have been doing a lot of planning ahead for future building. In the past year we invested 130 million dollars in expanded and modernized plant and equipment. But this is hardly a start on our long-range investment program.

* * *

The way it looks right now, taking into account the probable increase in demand for our products and plans for modernizing our plant and equipment, in the next five years we will put over a billion dollars on the line for capital improvements and expansion. This amount is exclusive of tooling. It includes the cost of land, buildings, machinery and other equipment.

* * *

Our plans to invest in expanded plant and equipment and in facilities for research are based primarily upon our confidence in the dynamic future of this country. They are also based upon our confidence in the future of Chrysler Corporation as an eminently successful company and as one of the creative centers of the economy. . . .

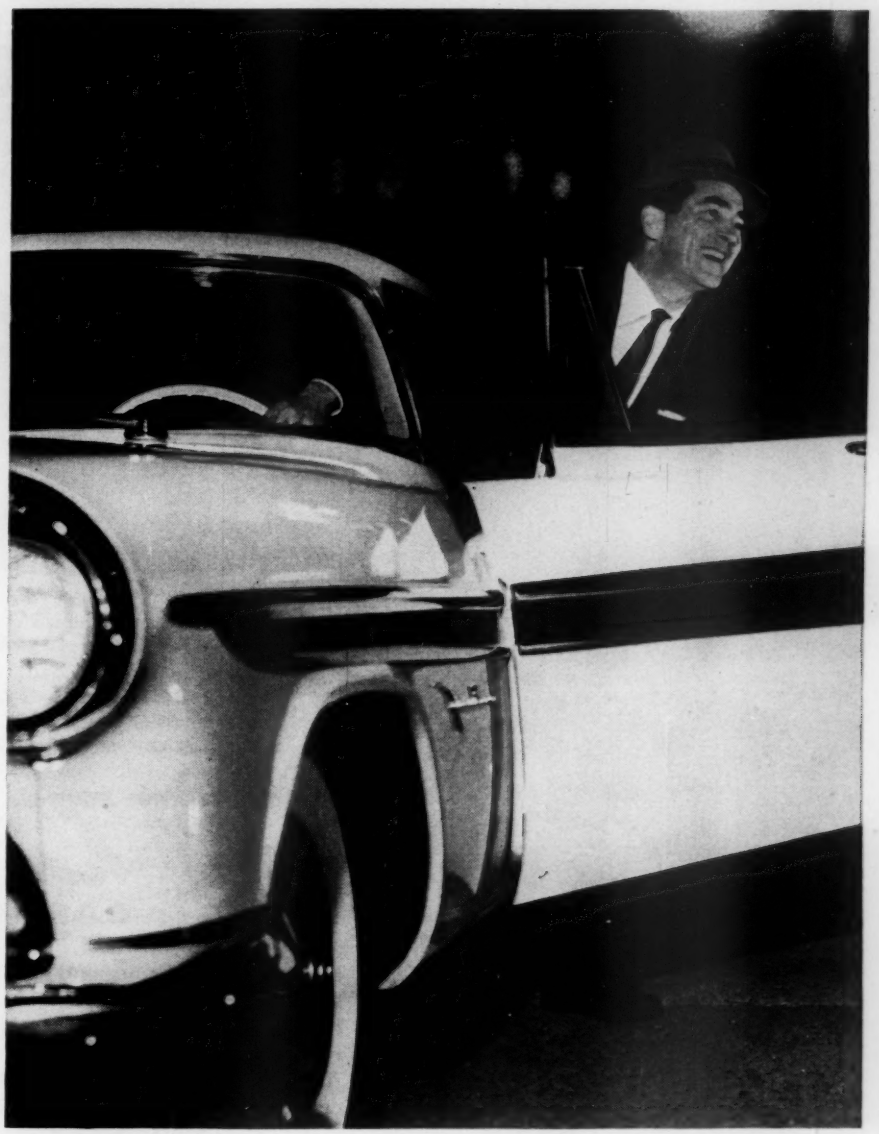
I have given you the figure of a billion dollars plus as the probable size of our investment over the next five years. But it may very well be that if the company continues to move in the years ahead as it has in 1955, we will find it necessary to revise our investment plans upward.

We, like other companies, will invest sizable amounts to keep our productive machinery up to the minute. Much of this machinery will be automatic. In recent months we have all heard a lot about automation, and it is not my intention to go over that familiar ground again today in any detail. However, I would like to make a brief comment on this matter.

I believe that in the rapid development of automation at the present time there are three tremendous advantages to the economy:

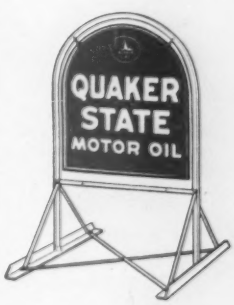
First—Automation is coming along at a time when the total population of this country is increasing much faster than the number of people available for productive work. It has been estimated, for instance, that in the next 10 years the population will increase by 20 per cent and the portion of the population available for work by only 6 per cent. In this situation, with proportionately fewer hands to do a lot more work, automation

(Continued on page 121)



"Your Quaker State sign reminded me to check my oil!"

City street or country road, there's nothing as welcome as the famous, friendly green-and-white Quaker State sign. For generations motorists have watched for this sign of quality when they travel . . . made it their headquarters for service where they live. Today, more than ever, it stands for the finest, most modern motor oils and lubricants—refined in special Quaker State ways from Pure Pennsylvania Grade Crude Oil. Turn in where you see this sign for peak performance, long-lasting lubrication, and Miracle Film protection. Ask for Quaker State by name.



QUAKER STATE OIL REFINING CORPORATION, OIL CITY, PA.

Member Pennsylvania Grade Crude Oil Association

NOW—open and close your garage door by radio from your car with the wonderful new

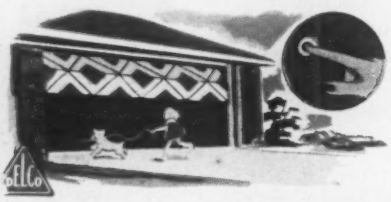
Delco-matic

GARAGE DOOR OPERATOR

As you enter your driveway, touch the Delco-matic button in your car; lights go on, garage door opens.

Don't wade through rain, mud, snow; stay in your car, touch the Delco-matic button, drive right in.

Delco-matic is safe; door stops automatically for obstacles as slight as outstretched hand.



Delco-matic is double-safe. Instant reverse sends door back up in emergency, at touch on button.

Here you are, home, and it's raining cats and dogs or perhaps it has snowed. As you enter your driveway, you touch the Delco-matic Button on the dash of your car, garage lights turn on, your garage door glides up automatically and you drive right in, dry and comfortable in spite of the weather. Inside your home, you touch another button, lights turn off and the door is automatically closed and locked.

Delco-matic mechanizes the largest piece of moving equipment in your home—the garage door—and makes it as modern as the rest of your home and as modern as your car. It eliminates the need for getting out of the car and wading through rain, snow or slush to open the garage door; eliminates tugging and straining, saves your back, your heart and your pocket-book.

And, these benefits are even more important to the women drivers in your family. Accustomed as they are to so many power-operated household appliances they will welcome the common-sense convenience of Delco-matic's finger-tip operation.

Delco-matic Garage Door Operator is easily installed in *any* garage; operates *any* door, single, double or two singles; operates from *any* car or cars. It is a product of General Motors and is fully warranted.

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whose address is listed on the opposite page

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Delaware, Wilmington—1022 West Seventh St.
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Massachusetts, Newton Upper Falls—90 Linden St.
Worcester—540 Franklin St.
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Detroit—4651 Beaufait Ave.
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New Mexico, Albuquerque—1320 San Andres NW
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Utah, Salt Lake City—155 West Second South St.
Vermont, Rutland—61 South Main St.
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Dealer inquiries invited

. . . "Automation will lower costs, widen markets"

is going to be a very timely blessing indeed.

Second—By increasing our efficiency in the volume production of goods and services, automation will help us control the pressure toward inflation which is always present in a dynamically expanding economy like ours.

Third—Like every other advance in efficient production, automation will raise quality, lower costs and widen markets. And this will put steam into the forward drive of the whole economy.

Over and beyond these benefits to the economy, automation will make even more desirable than ever the jobs of factory workers. Untold numbers of them, for example, will be trained to move into more highly skilled jobs such as millwrights, repairmen and electricians—at better ratings and better pay.

Investment of the kind now being made by American business means the broadening and strengthening of the whole economic base upon which our society is built. It means confidence. It means more and better jobs. It means strength and security for the nation. It means an increase in the national wealth—an increase which will enable us as a people to go on building the kind of civilization we all want.

I am thinking of such things as better roads, hospitals, playgrounds, better enforcement of our laws, and more attention, for instance, to the recreational needs of our teen-agers. I am also thinking of our tremendous needs in the field of education.

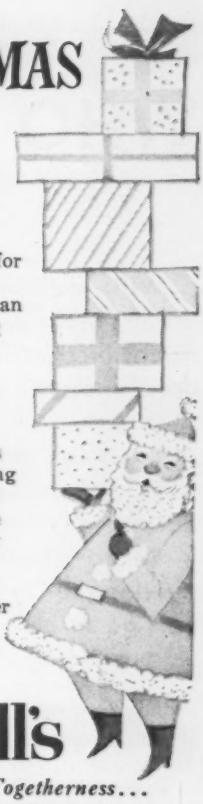
This country has reached a point where the vast majority of people agree on a number of big, decent, humane objectives. And the energies to keep us moving toward those objectives will come out of the creative ideas of our scientists and engineers, the confident investment in the future on the part of business, and the hard work and ingenuity and idealism of the American people generally.

Along the way we will generate plenty of disagreements and tensions on ways and means. But out of those disagreements and tensions will come progress, just as progress emerges from the hot and heavy and hectic competition among the automobile companies.

In this country that's the way we get results. And if we go on building on the solid foundation of confidence and good will and agreement on basic American values, we will continue to achieve great things for ourselves and for the world.

For an article describing expansion plans of U. S. industry, see page 21.

CHRISTMAS GIFT IDEAS!



This is the season for gay, unexpected gifts for man, woman or child, that bring a sense of luxury and living!

A delightful, full-color McCall's picture-story shows a galaxy of sparkling ideas for wonderful gifts that will make this an extra-merry Christmas for everyone in your family. In December McCall's—on all newsstands, *now!*

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WHO CAN SPEND FOR POLITICS?

Companies Eye Campaign Funds of Unions

With millions of dollars in union money poured into national elections, employers wonder if they are not missing a bet.

Direct political activity is banned for unions and corporations. But unions' "political education" methods seem to work.

Result: Company lawyers are checking on how far companies can go in using the same methods, pending court rulings.

Opening of the 1956 political campaign is causing employers and workers to ask questions such as these:

- Are labor unions going to be able to spend millions of dollars helping the Democratic Party in 1956?
- How did unions spend 2 million dollars in the 1954 campaign in the face of a federal law barring unions, banks and corporations from making contributions or expenditures in connection with elections for federal offices?
- If unions get away with spending union funds on politics, why can't corporations and banks spend money in the campaigns?

The final answers to some of those questions must await further rulings of the Supreme Court. But employers notice that unions are going ahead with political activities that are under attack in the courts. Some employers wonder if perhaps their companies, too, should take a hand in the political field.

A check into activities of the labor groups gives some employers ideas about how their firms, also, might be able to get into political activity—if the courts are to hold that corporations have the same rights as labor unions.

"Voluntary contributions," for example, are collected by labor committees which ask union members to donate a dollar or two each for political action.

These committees were set up by the AFL, CIO and other labor organizations to get around the legal ban on direct contributions of unions to political work.

Thus, the law does not keep CIO leaders out of politics. They simply act through CIO's Political Action Committee.

The same is true of AFL officials, who set up Labor's League for Political Education for similar purposes. Various other unions also have separate committees.

An idea of the money spent by such organizations is given in a staff report made recently to the Senate Republican Policy Committee. This report added up expenditures of the larger union groups in the 1954 campaign, and got a total of $1,978,564.

Included in that total was $485,081 spent by the AFL's political league; $415,041 spent by CIO's PAC from its "contributions account," and $339,991 that PAC spent from its "educational fund."

Then, too, there was $272,714 in expenses of an Auto Workers' PAC and $185,004 spent by the Steelworkers' PAC, plus smaller amounts by other groups.

Some of the money came from donations by individual members of the various unions, and part from union treasuries.

An employer's "rights." With unions collecting, and spending, that kind of money on politics, can an employer set up a committee and do the same thing?

As individuals, employers can establish committees for political action, and have done so in many areas. Their committees, for example, can put out literature supporting candidates favored by businessmen or against candidates supported by labor groups.

The law permits an employer to make a personal contribution to a political committee, just as a worker can send his own money to PAC, or to a Republican or Democratic committee.

However, unions have been accused of going beyond that point, of using the dues money from their treasuries to finance political activities. Position of the unions is that dues money legally can be spent for certain "educational" purposes, as long as it does not go directly into a candidate's campaign.

—USN&WR Photo

POLITICAL ACTION AT WORK
. . . financed by union members' contributions

"Educational" work, the unions argue, includes literature urging people to register so they can vote. It is held to include radio and television programs designed to give labor's position on public issues.

Actually, the AFL and CIO have not seen eye to eye on the legalities of this "educational" campaign. The AFL League at first accepted donations from affiliated

unions—money from the treasuries—for "educational" activities, but the League no longer handles any of this "union money."

PAC, on the other hand, is reported to have spent more than $300,000 in "educational fund" money during the 1954 campaign. PAC keeps the union donations for "education" separate from individual contributions by CIO members.

This "educational" work is what interests many employers. They say that the AFL has its own way of spending "union money" on political propaganda, such as through leaflets and radio or TV broadcasts on public questions. Employers ask if the corporations cannot spend money on "education," too.

More than $271,800 was paid out of AFL's national treasury during the year ended last June 30 to finance administrative expenses of Labor's League for Political Education.

A recent report of CIO-PAC also indicates that "union money," rather than voluntary contributions, helps to keep the political drive going. PAC reported its "education" fund had taken in $207,282 so far this year—contributions from CIO unions—while the donations of individual members totaled $49,152 in the same period.

TV programs are cited as an example of where employers might compete with unions for public attention on political issues.

The CIO's Auto Workers Union now is under federal indictment in Detroit on a charge that it spent union funds for television programs that aided political candidates in 1954. The Auto Union takes the position that the U. S. Constitution gives it the right to broadcast its views on political issues.

A hearing is scheduled for December 12 on the union's motion to dismiss the indictment. Results in this case are expected to provide some guide to unions, and possibly to employers, on what they can do in politics. The issue is expected to go on up to the Supreme Court for a final answer.

As some employers see the situation, if a union is allowed to spend union funds on such political broadcasts, companies might be able to use their TV and radio programs to tell their own position on issues. Organized **labor's** lawyers, however, contend that a corporation is a different type of agency from a union, that unions are set up as voluntary associations, with political action as one of their main purposes.

Company newspapers also might get into political campaigns, in the opinion of some employers, if union publications are to continue in this field.

The Supreme Court ruled on this point soon after the Taft-Hartley Act was passed in 1947. The Act's ban on political expenditures of unions and com-

(Continued on page 124)

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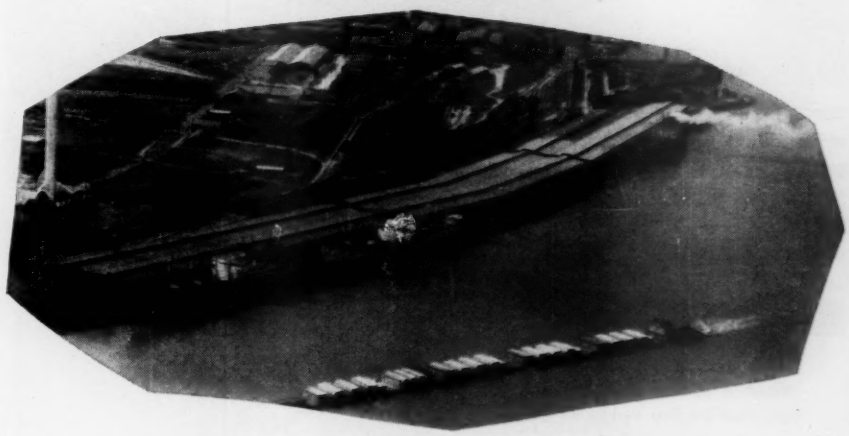

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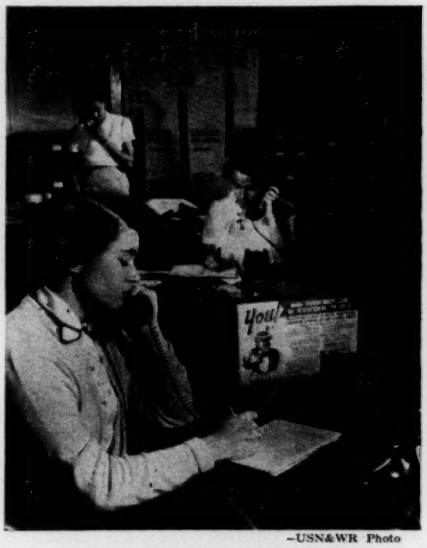
. . . Unions have court O. K. on transporting voters

panies, the Court held, does not prevent a union from using its regular newspaper to urge its members to vote for a candidate.

The opinion of the Court also stated that "gravest doubts" would arise as to the constitutionality of the provision if it were construed to prevent corporations or unions from advising stockholders or members on political issues affecting them. The Court referred to publication of periodicals "in the regular course of conducting their affairs."

Salaries of union officials, or company officials, can be paid by the union or corporation, another court ruling holds, even when the officials are spending a major part of their time on politics.



—USN&WR Photo

GETTING OUT THE VOTE
Can companies do this, too?

A local union of the AFL Laborers was cleared by a federal district court of charges that the union violated the law by paying salaries of officials engaged in political action. The court also held that the law does not stop a union from using union autos to take voters to the polls.

Decisions such as these are causing some employers to check with their lawyers as to just how far an employer can go in using company money for political "education" in the way the unions are doing it. But companies, like unions, will remain in doubt as to their rights on this point until further decisions are handed down by the Supreme Court.

One difference in tactics is that unions, for the most part, are going right ahead with their "educational work" while waiting for that ruling.

Thousands Idle In Pay Disputes

At this point in a year that saw peaceful settlement of wage disputes in most big industries, thousands of workers are out on strike.

The walkouts in some cases have been in progress for many months.

A study last week of some of the major strikes showed this:

Perfect Circle's foundry at New Castle, Ind., still was picketed by CIO Auto Workers, although workers in three other plants of the company voted to oust the union as bargaining agent in those plants. The strike began on July 25. The "union shop" was a big issue.

At Kohler, Wis., the Auto Union was involved in a strike against the Kohler Company, makers of plumbing fixtures. The dispute, marked by violence, began on April 5, 1954. The union at first sought the "union shop" as well as wage increases and changes in other contract terms, but reportedly dropped the "union shop" demand.

Truck drivers, striking for a pension fund, have halted deliveries of sand and gravel to many construction projects in southern California. As a result, about 100,000 workers were idled. The AFL Teamsters strike began on October 3.

Wages were the issue in two strikes at plants of Westinghouse Electric Corporation. A walkout by CIO Electrical Workers began October 17. The United Electrical Workers, unaffiliated, walked out on October 25.

Flight engineers have been on strike against United Air Lines since October 23, but other employes have continued to work. The AFL Flight Engineers Association objected to a new rule by the company requiring that all new engineers be qualified pilots.

About 30,000 shoe workers went on strike early this month against the International Shoe Company and the Brown Shoe Company. The strikes, mainly over wages, were called by CIO and AFL shoe unions, which have had a joint committee for negotiations with management. Fifty-nine plants are involved.

AFL transit employes have been on strike since April 5 at Scranton, Pa., and since June 22 at Little Rock, Ark., in wage disputes. Bus service has continued at Little Rock despite the strike.

Another prolonged walkout continued at a plant of Serbin, Inc. in Fayetteville, Tenn., where the AFL Ladies Garment Workers Union went on strike April 19.

AFL Carpenters have been on strike since April 1 in St. Helens, Oreg., against two mills manufacturing insulating board.

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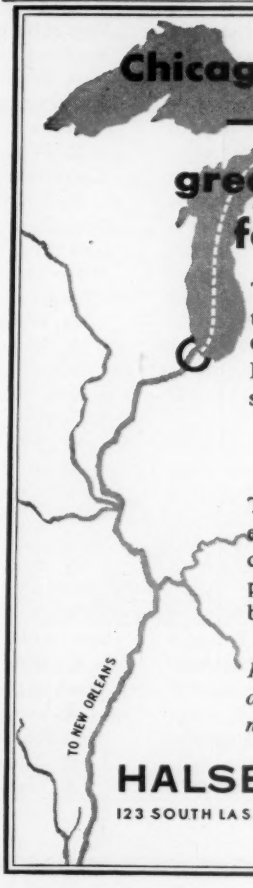

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Interview with EDWARD F. HOWREY

Recently Chairman, Federal Trade Commission

IS BUSINESS BEHAVING?

Is there too much cutthroat competition in business? What's the real effect of all the mergers among big companies?

Are discount houses legal? Do Congressmen bring political pressure to bear in Federal Trade Commission cases?

For answers to these and other questions, *U. S. News & World Report* interviewed Edward F. Howrey, until recently Chairman of the Federal Trade Commission.

The FTC, in Mr. Howrey's regime, increased its orders by 40 per cent; sponsored the largest number of consultations with businessmen on trade-practice rules in 20 years.

Mr. Howrey tells how this important agency approaches its task of regulating business.

Q In looking at business as a whole, Mr. Howrey, would you say business is behaving itself?

A Oh, I think on the whole it tries very hard to behave itself, but ours is a highly competitive economy and we have this problem: We have the Sherman Act, which was designed to require competition, real, strong, vigorous competition, and that is how the consumer is protected and that is how business is regulated. Then there grew up a series of other laws—the "fair trade" laws, the Robinson-Patman Act and other laws—which say, in effect, "It's all right to compete, but you mustn't compete too hard, at least you mustn't compete unfairly."

For instance, under the Sherman Act price discrimination was a fine thing for the consumer, and perfectly legal unless it was done for the purpose of driving out a competitor in a localized market. But the question of the middleman came up, the small businessman who felt he was injured, so Congress passed a series of laws which seemed, to some at least—and Mr. Justice Jackson [the late Associate Justice Robert H. Jackson of the Supreme Court] was one; he said he couldn't reconcile the philosophy of the Robinson-Patman Act with that of the Sherman Act. Personally, I think they can be reconciled by proper administration.

I like to put it this way: that it is not necessarily inconsistent to gear the privilege of competing with the obligation to compete fairly. And it's in this latter area that outstanding businessmen sometimes violate the law because they think the Sherman Act requires them to compete and then they find they have violated some other law by competing too vigorously.

Q Are there too many laws regulating business?

A Well, if you stick to the trade-regulation field, I would say, "No." If you get into tax laws and things like that that govern other aspects of business, I think there are far too many.

Q Hasn't there been a period of relative inaction on the part of the Federal Trade Commission?

A Yes, until we took office some 34 months ago. I made it a rule not to criticize my predecessors, but it does seem to me that the Commission had not previously played the vital role it should in supervising our competitive economy.

Q For how long had that been true?

A I think it was true for a long time.

Q As a matter of fact, didn't the Federal Trade Commission start under the Wilson Administration and just supervise business in a general way?

A Well, it started under the Wilson Administration, but it had its origin really before that. I think Theodore Roosevelt was the first one to suggest a trade commission.

Q When it was first started, wasn't it called the Bureau of Corporations?

A It started out as the Bureau of Corporations, and its function then was to collect statistics and data on corporations; and then, in 1914, Congress decided to adapt the administrative-agency concept to trade regulation, and the Federal Trade Commission came into being.

Q What is its present purpose?

A Its purpose is to regulate, or perhaps I should say supervise, our competitive economy and our competitive practices and, I think, to protect and preserve the private-enterprise system.

Q What is the basic target—unfair competition?

A Our basic statute prohibits unfair methods of competition and deceptive acts and practices. You can see from that language that the statute has a breadth and scope comparable to any constitutional provision.

Q And the Federal Trade Commission deals with mergers?

A It administers, along with the Department of Justice, the new Antimerger Act.

Q How much is the Commission occupied with antitrust-law violations?

A I would say that 70 per cent of its budget goes to what we call "restraint of trade" cases, which is antitrust.

Q Under what law is that effective?

A That's under the Clayton and Federal Trade Commis-

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Firms "Try Hard" . . . Laws Both Require and Restrict Competition . . . Rising Complaints About Unfair Trade

sion acts. The courts have held that the Federal Trade Commission Act—that is, "unfair methods of competition are hereby prohibited"—has the same jurisdictional breadth as the Sherman Act.

Q Why do you have, then, the Department of Justice taking cases that the FTC doesn't initiate?

A Well, that's a good question. The FTC has concurrent jurisdiction over many things. Congress designed it that way. The congressional leaders decided in 1914 that they should try to use the independent-administrative-agency concept in trade regulation as they used the ICC [Interstate Commerce Commission] in connection with the regulation of railroads and transportation. The Sherman Act is a criminal Act and the Department of Justice, Antitrust Division, is the prosecutor.

The Trade Commission, in my view—and I think it is the correct view—was set up to practice preventive or regulatory law; it was to till the same fields as the Department of Justice but with different tools. In other words, it was to be a body of experts, not prosecutors. They set FTC up so it had experts in all fields, lawyers, economists, accountants, doctors, etc., and it was to take the expert's look at a competitive practice and try to ascertain whether it was good or bad for our economy, good or bad for the consumer, and then proceed on that basis with a civil order to cease and desist, but not a punitive decree.

Q Isn't the real distinction that the Commission deals with the study of competitive practices whereas the Department of Justice in the civil antitrust cases deals with an actual restraint of trade?

A Well, I wouldn't put it quite that way. It's often put this way: that FTC is to look at the practice in its incipiency. The Commission has the power to stop a practice which *may* injure competition, and theoretically the Department of Justice goes after completed offenses.

Q When the Commission issues a cease-and-desist order, is it usually obeyed?

A Well, formerly no one at FTC knew whether or not orders were being obeyed, but one of the first things I did as Chairman was to set up a compliance task force. We examined 8,000 stipulations to cease and desist and 4,000 orders to cease and desist, to ascertain whether the respondents were in compliance and, also, to ascertain whether there was any need for those orders as of now because of changed conditions, and to determine whether the respondents were still in business.

Q What did you find?

A We found that some of the orders were out of date—absolutely useless as of now. We found some orders that were being violated, but we found the majority were in compliance—that is, the respondents were in compliance.

Q How did you get into the question of regulating advertising practices? Under what theory is that?

A Originally there was no statutory provision for that, but the Commission early in its existence decided that false and misleading advertising was an unfair method of competition and proceeded on that basis, and the courts agreed with it. Later Congress amended the Act so as to prohibit deceptive acts and practices, and now the bulk of the Commission's cases, in number, are in the misrepresentation field, though the bulk of its budget is spent on antitrust or restraint of trade or antimonopoly.

Q What do you find are the reasons for these malpractices

(Continued on next page)

EDWARD F. HOWREY was Chairman of the Federal Trade Commission from March, 1953, to September, 1955.

A Virginia Republican, Mr. Howrey was appointed to the FTC by President Eisenhower. He resigned from the agency because, in his own words, he felt he had completed the job he set out to do—of reorganizing the FTC and its procedures from top to bottom.

The objective, as Mr. Howrey describes it, was threefold: to give the FTC a more efficient setup; to speed investigations and the flow of Commission decisions, and to emphasize a new "rule of reason" approach in federal trade regulation.

According to Mr. Howrey, over the years the Trade Commission became enmeshed in precedents that have been outmoded by changes in modern business methods.

Under the new setup, Mr. Howrey explains in the accompanying interview, FTC policy is to concentrate on cases that are really important, to the buying public as well as to the business community.

Mr. Howrey, 52, was born in Waterloo, Ia. He was graduated from the University of Iowa and from the law school of George Washington University in Washington, D. C. After a two-year stint with the Department of Justice, Mr. Howrey entered private law practice in the nation's capital.

. . . "Fringe business uses false advertising to fool public"

in advertising? Is it zeal, or is it a desire of businessmen to go along the borderline and get away with as much as they can?

A That's a difficult question, unless you segregate it as to types of businessmen. Now, there is the fringe type, the almost-racketeer type, whose entire business is built on fraudulent or misleading or bait advertising. They're using false advertising for the very obvious reason of fooling the public.

Then we have a field which is a very difficult one, one where the honorable businessman will make claims—scientific claims for a deodorant or a tooth paste, for example—that he really thinks to be valid. There's no proof one way or the other. Sometimes we had the Bureau of Standards make tests, and other times the claims were so highly exaggerated that they were obviously misleading.

Then there's the type of advertising that the cigarette people have used for years, where they make claims they feel they have to make because their competitor makes them—competitive advertising.

THE RIGHT TO "PUFF"—

Q Didn't the Supreme Court decide once in a case that it was legitimate to "puff" your wares?

A Oh, yes. It's well-established law that you can "puff." It is only the really false, fraudulent advertising that is subject to FTC jurisdiction.

Q How far do you expect the public to be unaware of these things and to fail to make allowances themselves? Why is Government action needed?

A I might answer that by an example. The most important work done in that field when I was Chairman was in hospitalization, accident and health insurance. We had literally hundreds of letters from policyholders claiming that they had been misled by advertising of the people who sell that type of insurance. It's a new business. It's grown from practically nothing to an almost 3-billion-dollar business in the last few decades. Perhaps that's one of the reasons. We filed 30-odd complaints against as many insurance companies, alleging that their advertising had misled policyholders. And I must say, from a public-interest standpoint, if you measure public interest by the letters from policyholders, they feel it is a worthwhile project.

Q Were you correcting any of the abuses?

A None of the cases has been completed; that is, those in litigation. We had consent orders, I think, in three cases, and in those three cases we certainly corrected them. I think we probably did a great deal to correct them in other instances just by our investigation and the filing of complaints. What we did was to take the insurance policy and lay it down side by side with the ad. In other words, we compared the small print with the big print.

Q You mean the big print promised more than the little print?

A We so alleged in a number of complaints.

Q In what other fields did you have abuses of that kind?

A Oh, we covered the whole water front. We had cases that ranged from baby chicks to steel products, from liver pills and cancer cures to printing, insecticides and foodstuffs, from automobiles to almost any kind of household or kitchen commodity. We settled many of them by stipulations, without trial. Many of them agreed informally to stop. I think the insurance investigation is the biggest industry-wide investigation we had in the advertising field when I was there, but we had cases in many, many other fields, almost every field there is.

Q Was your Commission divided ideologically on two or three concepts of approach to this problem?

A I think perhaps it has been divided ideologically. I think at the end of my Chairmanship it was divided ideologically in the sense that the majority of the Commissioners were trying to take what I call a "rule of reason" approach to trade regulation.

I've been misunderstood, particularly by certain chairmen and members of congressional committees, with reference to the meaning of a rule-of-reason approach. They interpret it, some of them, and perhaps purposefully, as big-business favoritism or a softness toward trade regulation. But that is not true. We tried merely to recognize that our economy is a dynamic one, that we're a great nation, that we have the greatest economy in the world, and that we dominate the social and political side of the free world largely because we are a dynamic, growing country.

The innovations, the new methods, the new commodities, the new procedures, all require that we try to approach trade regulation with the recognition that we can't adopt arbitrary, rigid standards. That's why Congress enacted these laws in broad language so that they could be adapted to changes and growth.

Now, I don't like to use names or criticize anyone, but I thinks perhaps the "old" Commission, if I may use that phrase, was more or less wedded to legal precedents which were established at the turn of the century and which didn't fully recognize the problems involved in growth and change. A recent decision involving the functional-discount question demonstrates what I mean.

VANISHING WHOLESALER—

Q What is the functional discount?

A The traditional functional discount is the discount that the seller grants a wholesaler, retailer or consumer in diminishing amounts to compensate for services rendered. They are not in competition with each other, and it's always been recognized that the wholesaler performs certain functions that the retailer doesn't, and so the seller gives him a lower price.

Now, for years there's been a rapidly diminishing number of genuine wholesalers left in this country, sticking strictly to that function. They've become integrated. The gasoline distributor is a good example, perhaps: He'll have a bulk plant, a tank-wagon business, he'll have several filling stations, and he may have a fleet of trucks. He's largely integrated. He's a combined wholesaler, retailer and consumer.

Under the old philosophy, he couldn't be granted a functional discount except on that portion of the gas and oil he sold as a wholesaler. In other words, the enforcement agencies recognized only the character of his selling and not the character of his buying. He might, on behalf of the seller, do a lot of warehousing and storaging, do a lot of selling and advertising, and render other services to the seller, but those couldn't be reflected in a lower price.

In an opinion issued recently in a book-publishing case, we suggested that a buyer could render services to the seller and be compensated for those services by way of a discount, regardless of how he sold.

. . . "Exclusive dealing may not be bad in all cases"

The FTC got into a great deal of trouble under the old theory. There was one case where the Commission held that the seller had the obligation of following the goods and policing the distributor to see if he sold strictly at wholesale. This led some critics to say that the Commission was requiring resale-price maintenance which was illegal under other laws.

Q It would be quite a job to police a thing like that—

A It's not only a job, but it's probably illegal. The seller has never been allowed to go to the establishment of the buyer and tell him how he must sell his goods—that is, what price to sell them at—except under the "fair trade" laws.

DOUBTS ON "FAIR TRADE"—

Q Did you get into the growth of these big discount houses?

A You are talking now about the so-called fair-trade laws that have been enacted by a great many States, which permit a seller, in connection with a trade-marked article which is in free and open competition with similar articles, to enter into contracts requiring the buyer to maintain certain retail prices. The FTC does not administer those laws. They are exceptions to the general statutes which prohibit that very sort of thing, and so we did get into the problem to the extent of ascertaining whether the price-maintenance contracts were properly within the exceptions.

It's a controversial subject. The Attorney General's committee to review the antitrust laws has recommended the repeal of the federal resale-price-maintenance laws on the ground that they are contrary to our basic concept of trade regulation, namely, that competition and price competition particularly are the very foundation of our competitive system.

However, I do think trade-marks and business good will that have been established over the years are entitled to protection.

Q What kind of protection do you mean?

A Well, I can't at the moment advocate a particular type of statute, but I do think that it may be an unfair method of competition for a discount house, for example, to debase and destroy a well-advertised trade-mark or business good will. The manufacturer claims this is done when a standard product—say a secondhand product or last year's model—is sold at a large discount but the consumer is led to believe that it is the latest-model General Electric or Westinghouse.

Q Is that going on?

A Yes, I think it's going on.

Q They do sell trade-mark products that are new, though—

A I think they do, and I don't think that's bad. I think the consumer is entitled to a lower price if it is the result of honest, genuine competition. But I do suggest that there is this important qualification: that trade-marks and business good will are entitled to protection from unfair debasement.

Q You spoke of the rule of reason being introduced by you and others. Would you develop further the opposition to that?

A Yes, I will. And I think it should be called a "rule of reason" approach because it is a little different from—and this is a little technical—from the "rule of reason" of the Sherman Act as established in old Supreme Court decisions in the Standard Oil and the American Tobacco cases. We merely suggested a similar common-sense approach to other antitrust and trade-regulation statutes.

The opposition to it is primarily that under a rule-of-reason approach the enforcement agency is required to prove its case. In other words, it's got to show that the complained-of practice may injure competition. This takes evidence and in some cases a lot of time, and is often a laborious procedure. The opponents suggest a rule-of-thumb substitute—sometimes referred to as an extension of the "per se" approach—where certain types of practices will be considered illegal as such, and it will be conclusively and automatically presumed that, if those practices are engaged in, adverse effects to competition will necessarily result.

Now, price fixing among competitors has been held to be per se illegal. The courts presume that injury will result. That's also been true of agreements among competitors to allocate customers.

The argument now really is whether that doctrine should be extended to new fields—into the exclusive-dealing fields, for example, where a seller enters into a contract with the buyer to the effect that the buyer will handle exclusively the seller's goods and will not sell competitive goods. That's prohibited by section 3 of the Clayton Act only if injury to competition may result. The "per se" advocates suggest that, under certain circumstances, the Commission should presume that injury will result and proof of competitive effects should not be required.

The rule-of-reason approach suggests that the Commission shouldn't make any such presumption, because in some cases exclusive dealing may be beneficial to the seller and the buyer, and to the consumer. In cases where you're introducing a new product, for example, it may be helpful to tie up a few outlets until that product gets introduced. Then, in the case of requirements contracts, the buyers often feel that it is beneficial to have a guaranteed source of supply for a specific period.

I'm not suggesting for a moment that exclusive dealing is good in all cases, but I am suggesting it may not be bad in all cases, and I am suggesting that the matter should be put to proof.

HOW AUTOS ARE SOLD—

Q What about automobile dealers—if you didn't have exclusive dealing in automobiles?

A Well, the automobile people say very vigorously that they don't have agreements requiring exclusive dealing. However, you'll find, I think, that most dealers do handle exclusively one manufacturer's products. I don't want to speak for them, but I presume they find it beneficial to do it that way, that it's good for them and it's good for their customers. Some of them formerly had exclusive-dealing contracts in connection with parts.

Some of the automobile manufacturers feel that a dealer should use—to name a certain brand, for example—use only Chevrolet parts in Chevrolet automobiles, because they feel that Chevrolet parts are better for Chevrolets. Now, the parts manufacturers and some of the distributors object to this because, they say, they can furnish the same parts except for the brand name.

Q The Commission enters into the operation of business on a very large scale but in many minute phases, doesn't it?

(Continued on next page)

. . . "Some Congressmen overstep bounds of propriety"

A Well, yes. That, again, is one of the problems. I think—if I may use again the phrase "old" and "new" Commission—I think the old Commission tried to take up almost every case or complaint that was filed, and usually it was filed by a competitor or sent up by a Congressman. During the last two and one-half years, on the other hand, we tried to select our cases with a view to investigating and, if necessary, prosecuting those which will have a real impact on our economy. We had a very small budget—

Q How big is the FTC budget?

A The Commission has a little over 4 million dollars and 600-odd employes.

Q Does that include clerks and stenographers?

A Yes. The budget is entirely payroll. FTC is like a big law office with a few economists, accountants, statisticians, doctors and chemists connected with it. It's not a small office at all, but it isn't a very large sum of money when you think of our economy, which has grown from maybe 25 billion dollars in 1914 to 350 billion dollars now.

Q You spoke about members of Congress sending up complaints. Do the members of Congress take an interest in what the Commission is doing?

A They take a very vital interest, as they should. But lately it seems to me that some of them have been overstepping the bounds of propriety. The Federal Trade Commission and many of the other independent agencies are quasi-judicial in nature. They are supposed to be independent of the executive. They are supposed to be independent of the legislative branch. They are supposed to decide their cases as a court decides them, on a record of sworn testimony and with an objective viewpoint.

It seems to me that some of the members, particularly in the last session of Congress, have in their hearings probed the quasi-judicial mind to an extent which to me has been very unfortunate; it has constituted, I think, a real threat to the independence of the quasi-judicial agencies.

SENATORS' "IMPROPER" QUIZ—

Q Have they delved into any pending cases?

A Yes. In a hearing before a Senate subcommittee, they probed so deeply into a merger case which was pending and in which I had written an interlocutory opinion on some preliminary questions—they probed so deeply that I then and there felt required to say that I could no longer participate in the case because I thought the questions had gone into improper fields, that my quasi-judicial mind was being examined by a co-ordinate branch of Government, and so I disqualified myself in the case.

I think that is one of a number of examples that have occurred in recent hearings.

Q Is this through hearings, or did individual Congressmen put pressure on you?

A I'm talking only about hearings. Now, with two or three exceptions, Congressmen were very fair in their individual inquiries. They get inquiries from a constituent who will say that he filed a complaint with the Federal Trade Commission two years ago and nothing has happened. They would come down or call up and ask the status of the case, and if the case had gone to complaint and if it was what we called a formal "adversary" case and we explained it to the Congressman, he would understand that it was not proper to inquire about it. Almost always, if you told them that the case was pending for decision and it would be improper to discuss it, they would take it with good will. But in the hearings—I don't want to mention names—some Senators and Congressmen went way too far in their questions.

Q Aren't they privileged to do that?

A They certainly are not privileged to do it, any more than they are privileged to question a federal judge about a pending case. Certainly a Senator should not call up a federal judge and say, "Now, I don't like the way you decided a preliminary motion. You used a rule-of-reason approach and I am opposed to it"—and then proceed to delve into the facts and law of a case still pending for decision.

Q These cases hadn't been decided when the Congressmen became interested in them?

A These cases I am talking about were cases that were being tried by a quasi-judicial body in an adversary hearing, where we were required by statute to decide them on a sworn record, just as a judge would decide them.

RULE-OF-REASON APPROACH—

Q In other words, in the middle of the cases they would get in? Well, what kind of questions would they ask?

A The principal question which I am talking about had to do with the philosophy of the Commission in using a rule-of-reason approach in a merger case.

Now, the antimerger statute prohibits certain types of acquisitions, where the effect may be substantially to lessen competition or tend to create a monopoly.

Under a rule-of-reason approach, the Commission permitted—required, as a matter of fact—both sides to show by proof the various relevant market facts, and the Committee was delving into that question, whether it was the proper philosophy, whether it was the proper approach to the merger statute. But they were doing it in a case which was then being tried. That's my criticism.

I think members of Congress have not only a right but a duty to watch the independent administrative agencies and see that they do a good job, but they do not have a right to relate that to a case that is being tried in such a way that the judgment of the Commissioners might be swayed one way or other.

Q You think they were trying to influence the Commission?

A I can only say that the questions were such that I felt I had to disqualify myself from any further part in the case.

Q At these hearings was the committee doing the probing by design, or was it that one or two members were taking advantage of your being there to pursue a certain course?

A I would be glad to answer that question, because it is usually the latter.

Q In other words, the Committee as a committee did not set out to investigate your Commission or to probe into your handling of a particular case?

A The Antimonopoly Subcommittees of the two Judiciary Committees [of Congress] were set up to study the problems of monopoly, and part of their reason for being set up was to examine the procedures and policies of the Federal Trade Commission. But that to me is a very different thing from probing the quasi-judicial mind on a particular case which is being tried at that time.

Q In one of the hearings—I believe it was in the testimony about General Motors—you said something to the effect that you thought General Motors was too large and you didn't

(Continued on page 132)

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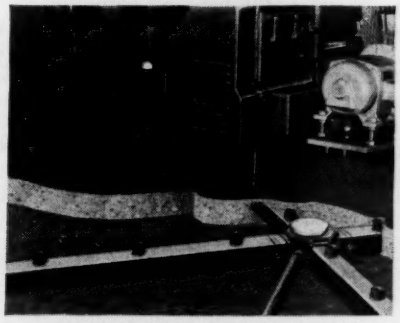

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know what should be done about it. Have you given any more thought to that? What approach did you take to the steel and auto industries where you had a couple of giants running the show?

A What I actually said was this: that I felt, and I thought the Commission felt, that there was an unfortunate concentration of production in the automobile industry, where the number of producers was now reduced to six; that it would be better from a competitive standpoint if there were 20 or more separate manufacturers of automobiles. I've been misunderstood or misquoted on this subject on a number of occasions.

I didn't suggest for a minute that present automobile manufacturers such as General Motors should be broken up into independent units. I think that might be catastrophic. It might create unemployment and havoc in our economy, because we're so dependent on the automobile industry. I didn't suggest there was anything we could do about it now. I merely suggested that it was unfortunate that we had reached that point and that I hoped that trend did not continue in other industries. That's what I actually said at the time, and I still believe it.

MERGER BUT NO MONOPOLY—

Q Isn't the trend still in that direction? Every day you read of a merger. There are whole columns of items about a merger here and a merger there—

A Yes, but I don't think it has reached the point where there are just a few companies in many industries. Now, in some industries you have a Big Four, a Big Five, a Big Three, but also you usually have a great many smaller companies that are highly competitive and very efficiently managed. There are at present some 20—I don't know the exact figure offhand—important manufacturers in the steel industry. The same thing is true in rubber.

Q Did your Commission have an attitude toward mergers?

A Well, we had the Act to administer, and we thought it should be administered in such a way that both sides—that is, counsel in support of the complaint and counsel representing the respondent—should be allowed to show the relevant market facts and ascertain if there had been or might be any actual adverse effect on competition. The only attitude you might say we had was that we thought it was relevant to show the market facts and not merely to presume or indulge in conclusive presumptions that a merger is illegal as such.

Q A few years ago we had some discussion about the basing-point system in steel, and some legislation was enacted that practically eliminated it. Has that worked out to produce more competition, or less? Wasn't there a statute passed during the Truman Administration which required the elimination of the f.o.b. system?

A Well, that was never enacted. You are talking, I believe, about the delivered-price bill, or the so-called basing-point bill. In the Standard Oil of Indiana decision, the Supreme Court held that a seller could absorb freight to meet the price of a competitor and that this was a complete defense against a charge of price discrimination.

I think that was a sound decision, because it permits a more distant plant—take the Chicago area, for example—you may have a plant near Chicago and a competitive plant in Indiana. The latter would be allowed to absorb enough freight to be competitive in the Chicago market with the nearby plant. If one couldn't do that, you'd have little monopolies all over the country, that is, monopolies in the hands of those having freight-rate advantages. That case gave rise to some controversy, and Senator Kefauver [Estes Kefauver (Dem.), of Tennessee] and a number of other Senators joined in introducing a bill which, in effect, would rescind the decision of the Supreme Court and make it illegal to absorb freight to meet competition.

Then Senator Capehart [Homer E. Capehart (Rep.), of Indiana] and others introduced a bill which was in effect a legislative restatement of the Standard Oil decision.

Neither one of those bills passed. They were reintroduced in the following Congress and reintroduced in this Congress, but no legislation has been enacted along that line, and the Standard Oil decision seems now well established in our case law.

Q How does the British practice differ from ours?

A They really don't have a law similar to our Sherman Act. They are now studying the problem. I think there is a Royal Commission on Monopolies, or whatever they call it, studying the problem, and I believe they are going to recommend some new laws, which may be similar to ours. But I don't think they have any law which is similar to our Sherman Act. Nor do they have any law which prohibits collusive resale-price maintenance. In a recent article in *The Spectator*, an English commentator was very critical of certain British trade associations which require their members to agree on resale prices. They are studying, I am told, a proposal which would prohibit this practice.

RECORD OF TOUGHNESS—

Q We hear the phrase "big business" used, and Mr. Truman said, on Labor Day, that big business has a big influence on this Administration. Did you feel it in the Federal Trade Commission?

A No, we certainly did not. Nor do I accept the characterization of this Administration as a "big business" Administration. I think that, very fortunately, the President has been able to bring into important positions men of ability and competence. They are successful men and naturally, having been successful, they have come from successful enterprises. They have brought with them not only confidence and ability, but also vigor and integrity—more so, certainly, than recent previous Administrations.

I think, if I may refer back to the Federal Trade Commission, we were accused by a few members of Congress as favoring big business or "being soft." The record proves just the contrary. We issued more complaints, more antimonopoly complaints, more deceptive-practices complaints, in the last fiscal year than any Commission in recent history. Also, we issued more orders to cease and desist than any Commission in recent history.

We made a study, and we found that during the fiscal year 1955 [the year ended last June 30] we had increased the number of complaints in the antimonopoly field by 28 per cent over the average for the 10-year period of 1944 to 1953.

Orders—we increased them by 40 per cent.

Deceptive practices—we issued 125 complaints in the fiscal year 1955, which is a 49 per cent increase over the 10-year period '44 to '53, and the same was true of all of our work.

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(Continued on page 134)

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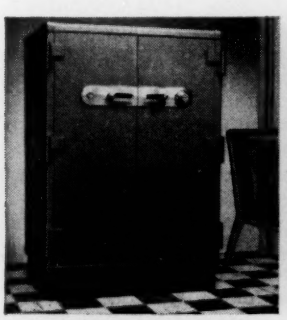

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year. These are rules where businessmen get together and try voluntarily to work out rules which they will abide by, requiring fair methods of competition.

And if you want to gauge it by statistics—I don't like to run a statistical race against my predecessors, but the Federal Trade Commission has never in its history been so strong, such a vigorous and vital law-enforcement agency. And these complaints and orders issued, moreover, were not picayune. They were important cases involving issues that have a real impact on our economy.

So, if you measure the Federal Trade Commission by its recent record, you'll find that there wasn't a soft administration—it was a hard one. It was a vigorous policy; it was hard in the hard-core-type case. It didn't go in for the peripheral or test type of case, such as "conscious parallelism," "mill net" and esoteric things of that type, which never were resolved by the old Commission and certainly were not sound in concept.

Q Is it true, as some Congressman has said, that those figures lumped together elements at random, some of which the former Administration would not even consider?

A No, certainly not. We, of course, had small cases as well as big, but we think our cases were more important and dealt with issues that were important to the consumer and have a greater impact on our economy. I am very proud of our record and I can prove it to anyone who'll listen. Of course, there are a few up on Capitol Hill who don't want to listen.

REORGANIZING THE FTC—

Q Why did you leave this very interesting assignment?

A I felt my job had been completed. I had a definite program in mind when I took over the Chairmanship of the Federal Trade Commission, and I thought that job had been done. Very briefly, my job was, as I conceived it, to reorganize the Commission from top to bottom. That was done.

We employed an outside consulting firm to come in and make a study of the organizational setup, and they made a number of recommendations, most of which we adopted. We organized it from top to bottom and set it up on a more efficient basis.

The second thing I wanted to do was to beat the delay problem if it were humanly possible to do so. The greatest enemy of all law—judicial law, administrative law, or any other kind of law—is the long-drawn-out delay in case work. I am very proud to say that the docket of the Commission was brought up to date for the first time in almost 40 years.

The third thing I wanted to do was to try to emphasize a rule-of-reason approach in trade regulation; to see if it were not possible to have a strong law-enforcement agency and still key it into our dynamic economy, which is marked by growth, innovations, inventions, new commodities and new methods, as I have said; and to see if the general statutes which we administered couldn't be effectively enforced in that kind of economy and yet permit growth to continue and business to prosper. I think we have proved that. Therefore, I feel my job was done—probably a period of calm is what the Commission now needs.

Q Would you say the Commission was unanimous on these approaches?

A No, I wouldn't.

Q Is it divided on party lines?

A I think it's safe to say that at least one Commissioner opposed my program. But he did it in a very gentlemanly way and is a very fine person, so I do not want to criticize him, because I feel he was following the viewpoints of a lifetime.

Q Is he a Republican or a Democrat?

A Democrat.

Q Is the Commission concerned at all by the merger trend?

A The Commission is very much concerned by the present merger trend. I think it is one of the factors in our economy which requires a great deal of study. However, I do not think the present merger trend is as significant as the so-called trust-forming era at the turn of the century and I don't think it's quite as significant as the merger trend during the '20s.

I think most present mergers, with a few exceptions, of course, are the result of rational management decision. By that I mean it's done for business purposes and not dictated by speculators or financiers. They used to say in the '20s that the speculators would put International Nickel and Worthington Pump together and get pumpernickel. In the '20s, speculative purposes dominated the merger movement, and at the turn of the century financiers were obviously trying to form trusts and monopolies.

One of the chief motivations for mergers now, for example, is diversification of products, which we call conglomerate mergers, where a company wants to spread the risk and not have all its eggs in one basket, and so it will buy up a company that makes an entirely different product.

Another important reason for merging nowadays is to get a better source of supply—they'll buy a company which will form a source of supply. We call that a "backward vertical" merger. Other companies will want to improve their outlets and have an assured market, so they will go out and buy a distributor or establish company-owned stores by buying out their present dealers. We call that "forward vertical" mergers.

Then there are other reasons. There are tax reasons. There are various other noncompetitive reasons. But most of them are initiated by management for a business purpose. Of course that doesn't mean they may not be illegal. The Commission still has the obligation to ascertain whether the acquisition lessens competition or violates the antimerger statute.

But this, what I call the third merger trend in this country, seems to be very different from the other two.

WHERE MERGERS FLOURISH—

Q Is it accelerating?

A Well, we made a merger study, an economic investigation of the merger movement, several months ago. We found that between 1950 and 1954 there were 1,773 mergers. There may have been many more, but those are the ones that came to the attention of the Federal Trade Commission. We found that in the nonelectrical-machinery industry and in the food-products industry the merger movement had been the most pronounced. Next came chemicals, fabricated metals, transportation equipment, textiles, electrical machinery, primary metals and paper products. The merger movement was very marked in those industries.

I don't know whether it's accelerating or not, as compared with the '20s, but there is certainly an important merger movement in this country at the present time. Now, as to its ultimate significance, that is going to require study and thoughtful consideration.

Q You issued complaints on how many cases?

(Continued on page 136)

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. . . "In my view, auto mergers increased competition"

A We issued five complaints—one in the milling industry, one in the scrap-steel industry, one in the paper industry, one in the bag industry, one in the publishing field. We filed a complaint against *Farm Journal*, alleging that their acquisition of *Country Gentleman* violated the statute, that the merger of the two largest farm journals in the country may injure competition in that field.

Q Who decides to issue a complaint like this, the staff or the Commission?

A The staff makes the recommendation and then the Commission has to approve or disapprove the recommendation. That's an interesting question. The approval of a complaint doesn't mean that the Commission is going to hold that way after the evidence is in. The Commission always reserves judgment and reaches a decision based on the sworn testimony in the record.

Q It's more like an indictment?

A Like an indictment except that in this instance the quasi-judicial body issues the indictment as well as the final decision, and that's one of the Hoover Commission's criticisms of administrative law. However, I think the Commission has been able to wear both hats, so to speak, without prejudicing either public or private rights.

Q What is the status of those five cases?

A The case against Pillsbury Mills and the case against Crown Zellerbach, in the paper field, are in the litigation stage; the respondents are now putting in their testimony. Luria Brothers, the scrap-steel case, is also in litigation stage. The other two complaints were issued more recently and had not yet gone to trial when I left the Commission.

NEED FOR NEW POWERS—

Q Do you feel that there is a need of further legislation to deal with the merger movement?

A I have recommended a number of what might be called "minor" amendments. Under the present statute, the FTC's only remedy is divestiture and divorcement, and, once it gets through trying a case, the assets may be so scrambled that the remedy is not feasible.

I've suggested that the Federal Trade Commission be given the same powers that an equity court has, whereby FTC could require whatever may be necessary to restore competition.

It might be something quite different from divestiture.

I've recommended certain other clarifying amendments, but I haven't recommended any of the basic amendments that have been suggested. One of them is that—I believe Senator Kefauver suggested it, or introduced a bill or said he would introduce a bill—that no merger should be consummated without approval of the Federal Trade Commission. Well, I think that has many objections. One is that the FTC would have to have a building the size of the Pentagon and a staff of similar size to pass on all mergers—that is, if it was actually going to examine the facts.

Then, I don't believe that business generally should be put in the same class as those companies vested with a public interest, like public utilities, for example. In other words, the Commission should not be in the business of issuing certificates of convenience and necessity in connection with mergers.

I don't think our economy can stand still while the Federal Trade Commission decides whether one company should buy out another. It may be a case where the merger will not only be legal but may even improve the competitive situation. Take, for example, the automobile mergers. The Government approved those—at least it didn't object. In my view those mergers increased competition by placing the smaller companies in a better position to compete with the big. If these had been held up the situation might have resulted in a lot of harm.

Q Do you think the companies should notify FTC in advance, though?

A No, because the Commission already knows about mergers, the important mergers, in advance. They usually involve companies which are listed and which require stockholder action. FTC officials read about them in the journals. If they were required formally to notify FTC, it would, I think, impose on the Commission the obligation to do something quickly about the situation so that silence would not imply approval, and FTC wouldn't have time to study each case and reach the correct conclusion.

Let me put it this way: I see nothing to be gained by notification except possibly to put the law-enforcement agencies on the spot. In other words, notification as such, without some other direction, would accomplish nothing.

IF ASSETS ARE SCRAMBLED—

Q Is it possible to move in years after the merger and act?

A Well, it wouldn't do much good to move in years afterwards because the assets might then be so scrambled that there would be no adequate remedy.

Q Isn't this scrambling of assets true of some of the cases the Commission has now?

A Yes, it is, and that's another one of the recommendations I made in connection with amendments to the law—that the Commission be given the power to seek an injunction which would prohibit the mingling of assets until it completed its case, or until it reached a decision in the case. I think the Commission should have that power. Because that is one of the greatest problems in merger work—once you finish a case and reach a decision, what is your remedy? The assets may be mingled and scrambled and then it is very difficult to restore competition.

Q That wouldn't actually prevent the merger, however—

A No, but it would prevent them from mingling the assets until completion of the case, so that if the Commission did issue an order finding the merger illegal, then it could require them to divest the acquired assets.

Q Did the Commission find very often that mergers were injurious to competition?

A We alleged that injury will result in the five cases. In years past, the Commission fought several merger cases through the courts, but usually the courts found that they were not injurious to competition and dismissed the Commission's complaint. This gave rise to the 1950 amendment.

Q Did you recommend your successor?

A Yes, I did. Perhaps I shouldn't put it just that way. The President announced that he was going to designate Judge [John W.] Gwynne, already a member of the Commission, as Chairman upon my retirement, and that he would appoint former Governor [Sigurd] Anderson of South Dakota to take my place as a member of the Commission.

Q Did you favor Judge Gwynne's selection as Chairman?

A Yes, I did.

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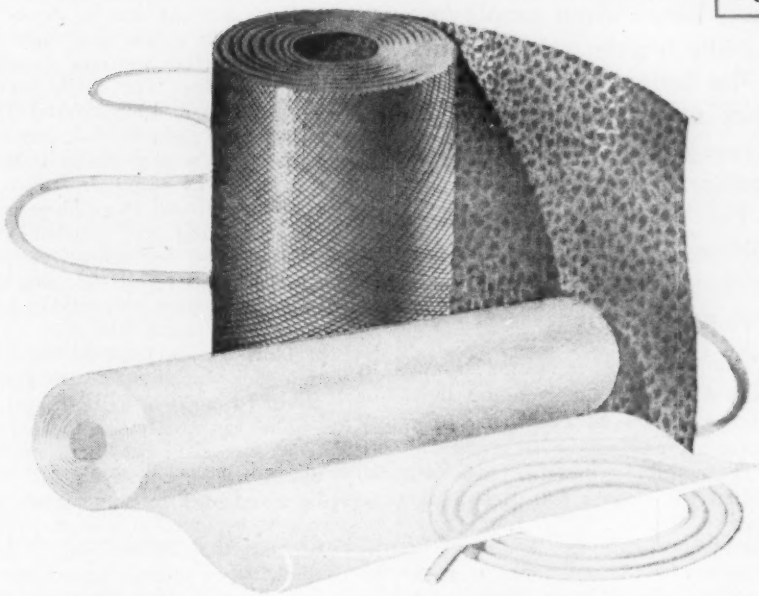

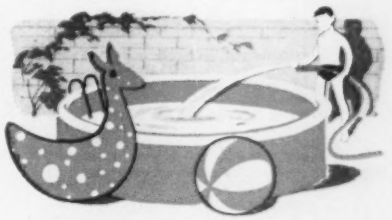

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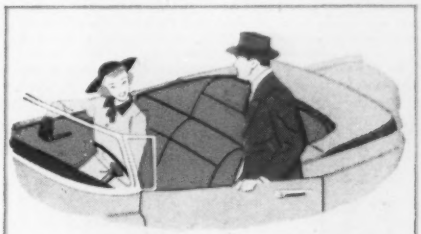

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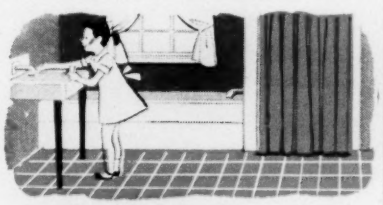

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The Board of Directors of Safeway Stores, Incorporated, on Nov. 8, 1955, declared the following quarterly dividends:

60¢ per share on the $5.00 par value Common Stock.

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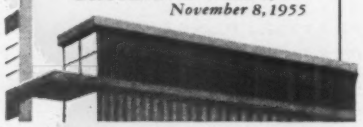
$1.07½ per share on the 4.30% Convertible Preferred Stock.

The Common Stock dividend is payable Dec. 15, 1955 to Stockholders of record at the close of business Dec. 1, 1955. Dividends on the 4% Preferred Stock and 4.30% Convertible Preferred Stock are payable Jan. 1, 1956 to Stockholders of record at the close of business Dec. 1, 1955.

DRUMMOND WILDE, *Sec.*
November 8, 1955



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Better Deal Ahead On Stock Options?

The courts have come up with new tax rulings that could help many corporation employes, especially highly paid officials.

The rulings cover profits from stock options, purchase by employes of stock in their own companies at bargain prices.

The broad implications—with millions of dollars at stake—are being studied by judges, lawyers and businessmen.

The prospect of large savings in federal income tax is being held out by the courts to employes of many corporations.

These savings might easily run to millions of dollars for executives of a large concern.

The court rulings, if upheld by the Supreme Court, will make it easier for company officials to be given big profits through sale to them of company stock at bargain prices. Such sales are made through stock options.

The tax treatment of the profits will be even more liberal than that granted by Congress in 1950 and 1954 revenue acts dealing with "restricted stock options."

Here is what can be done, based on the facts in a test case now being reviewed by the Supreme Court.

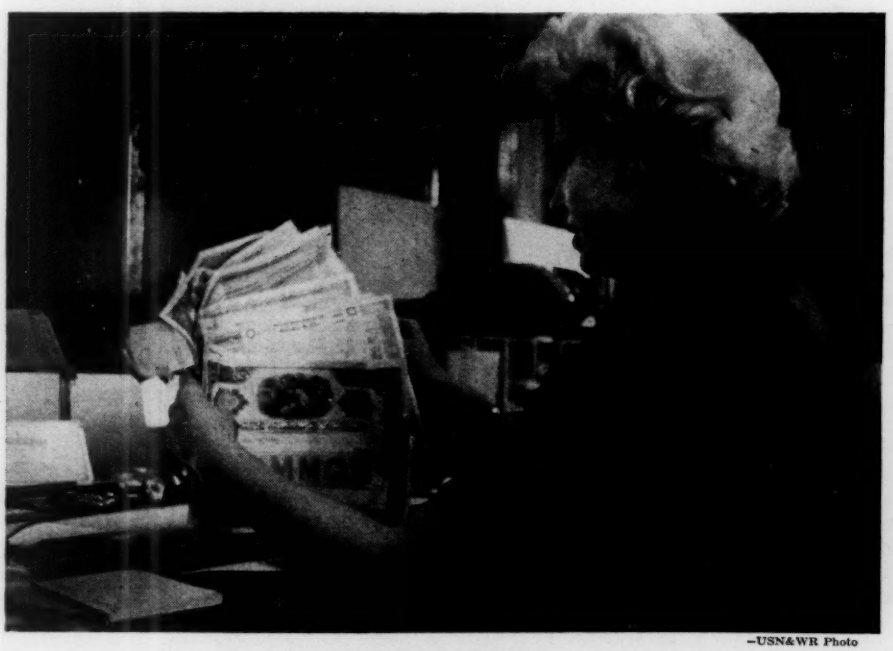
Big profits. The Michigan Chemical Corporation in 1945 offered 37 key employes the right to buy stock at $5 a share. The market value at the time of the offer was $8.69. In 1946, the same company offered 48 employes more stock at $5, when the market value was $19.25. The following year still more stock was offered at $5, this time to 76 officials; by then, the market price of the stock was about $19.50.

Thus, the discount the employe got on the stock was about 43 per cent in 1945, about 74 per cent in 1946 and 1947.

The tax treatment indicated by the courts was the most liberal possible under the law. The employe's gain was not to be taxed until he sold the stock. Then it was to be taxed at a capital-gains rate of no more than 25 per cent. If the employe died before selling, no income tax could be collected from his estate on the difference between the $5 purchase price and the value at the time of his death.

Meanwhile, the company had taken a

(Continued on page 140)

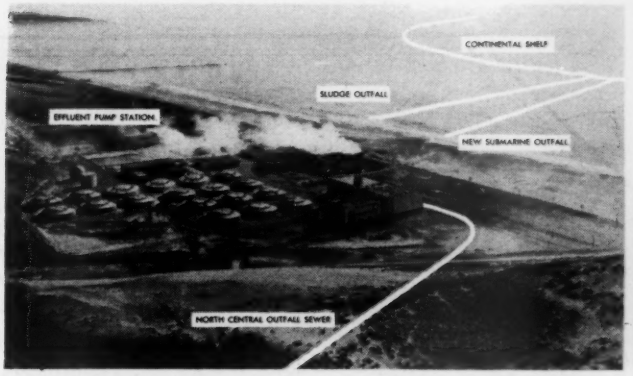


—USN&WR Photo

COMMON STOCKS
Some corporation officials get bargains

KING-SIZE SEWER PROJECT FOR NATION'S 3RD LARGEST CITY

Hyperion Engineers Begins Expansion of Los Angeles Sewerage System To Meet City's Growth Till Year 2000



Hyperion Engineers—a joint venture of Holmes & Narver, Sponsor; Daniel, Mann, Johnson & Mendenhall; and Koebig & Koebig; in consultation with the Engineering Office of Clyde C. Kennedy, Bowlus-Pomeroy and the City Engineer, are underway on one of the most challenging sewer projects ever undertaken. Largest engineering contract ever awarded by the City of Los Angeles—the new system will consist of three separate stages of expansion and modification:

Outfall Sewer—first phase of the Hyperion expansion project—is scheduled for complete design within ten months. A major trunk line to the sewerage treatment plant—the 9 foot diameter outfall sewer must be designed to tunnel 6 miles in face of difficult obstacles such as oil fields, earth faults, subsiding land and water wells.

Treatment Plant will then be extensively modified to handle increased outfall without interrupting present operation. This will provide a dual system capable of either converting sludge into fertilizer or piping the entire issue out to sea . . . depending on the city's immediate needs. The redesigned plant will have a capacity of 720 million gallons daily—proposed to meet Los Angeles anticipated sewage needs until 2000 A.D. Also, purified water produced from the new system will be available to replenish and increase the fresh water table along critical sections of the heavily populated Los Angeles beach area.

Pipeline Out To Sea—final expansion stage—will consist of two parallel lines extending more than 5 miles into the ocean to a depth of 250 feet. Following extensive oceanographic study, Hyperion Engineers must design the pipeline to provide for efficient underwater construction, where divers can work only 25 minutes a day in total darkness—setting pipe 12 feet in diameter.

Many such engineering projects are being accomplished throughout the land, and experience gained in the studies, designs, and construction thereof spells technological progress towards still greater engineering achievement for the betterment of mankind. H&N is proud to have played a part in some of these accomplishments.

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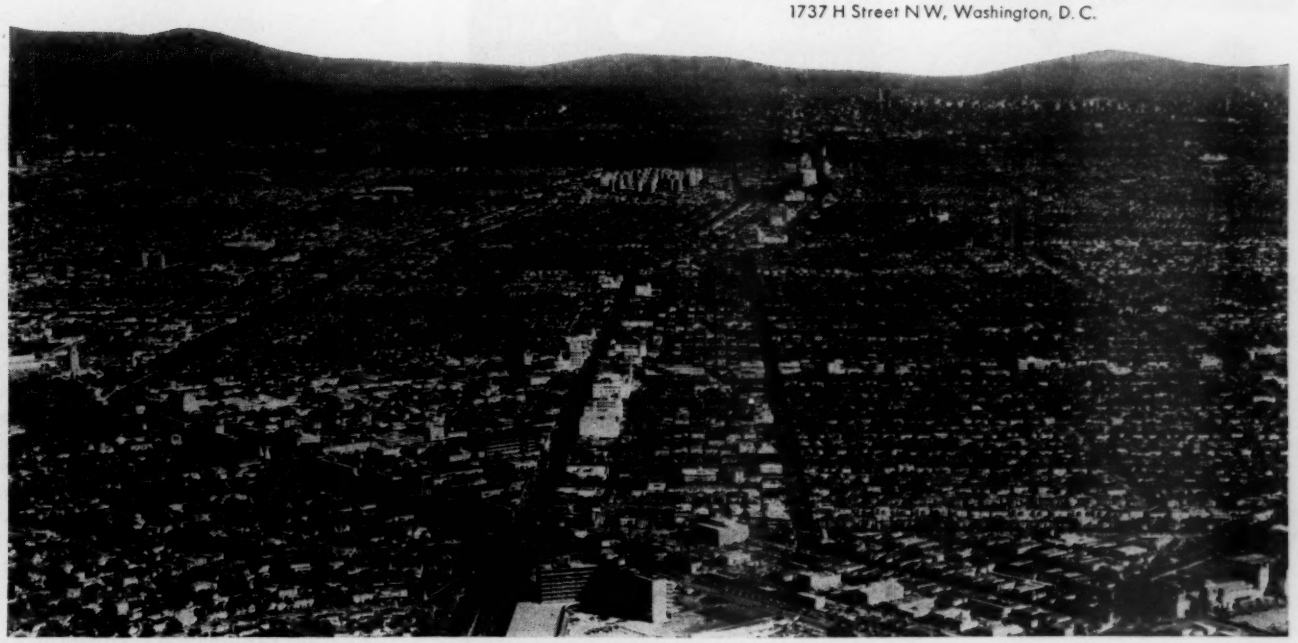

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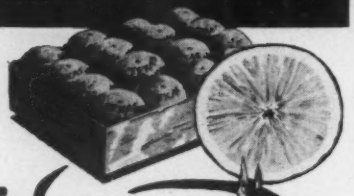

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Rulings change thinking on '50 and '54 tax laws . . .

tax deduction for the loss it sustained in selling its stock for less than it could have gotten on a public sale.

Contrast that with the treatment granted in 1950 and 1954 laws for "restricted stock options."

Under those laws—which have governed tax thinking until the latest court rulings—a discount of not more than 15 per cent below the market price of the stock is allowed the employe at the time the option is granted. Full benefit of those tax laws is received only if the discount is 5 per cent or less.

Also, a capital-gains tax must be paid on the profit by the employe's estate, if he dies owning the stock. The company

—Harris & Ewing

JUDGE RICE
. . . ruled for the taxpayer

gets no tax deduction for selling at less than the market price.

The distinction drawn by the courts is that an option usually is a form of "compensation" to employes, but in the case of Michigan Chemical it was primarily a way of giving the employes a "proprietary interest."

Until this time, the Government has regarded all options, unless they comply with the rules for "restricted stock options," to be fully subject to income tax. The difference between the purchase price and market value was considered ordinary income in the year the purchase was made, and was taxed at regular rates. For highly paid officials, this would be much more than the 25 per cent.

That is the rule the Government tried to apply to employes of the Michigan Chemical Corporation. However, one

. . . Stock option: share in firm, or added pay?

employe did not comply and took his case to court. The Tax Court of the United States, in a decision written by Judge Stephen E. Rice, said this taxpayer was right, the Government regulation wrong.

The court rulings. Judge Rice said the Internal Revenue Service was misinterpreting the law. Employes' profits on such options, he said, could be taxed currently if the company intended them as a kind of compensation. But in the test case, he felt, the company was granting the option to give employes "a proprietary interest in the corporation and not as additional compensation."

Judge Rice cited the company's explanation of its plan as one "to provide an incentive to key employes and especially to permit such men to participate in the success of the company."

A U. S. Court of appeals later issued a similar ruling. Now the Supreme Court has agreed to pass on the case. Though the tax law has been changed since the case began, the essential features remain the same, the federal lawyers say.

Federal tax authorities are wondering how they could prove that a stock option was intended primarily as "compensation." Almost all companies, when they announce offers of stock, say their aim is to increase the employe's interest in the company, spur his efforts and give him a a greater stake in the business.

The attraction of such a plan to the employes is great. Key officials often are paying tax rates of 50 per cent, 70 per cent, or higher. The Government may be taking most of any increase in salary. So they are looking for ways to increase their income without paying a heavy tax immediately. Stock options and pension plans are means of doing this.

Effect of the latest rulings of the courts is to make it easier to obtain this type of income and benefit from a lower tax rate.

Repercussions. The Ford Motor Company offers another example of the way the rulings might benefit many executives.

It has been disclosed officially that 108 executives of the company have bought 42,140 shares of Ford stock on an option that still has some time to run. They are permitted to buy additional shares over the next few years.

The price paid for the stock was not revealed by the company but is reliably reported to be about $315 per share. Present value of Ford stock is indicated to be somewhere between $900 and $1,050. That is what each of the present

(Continued on page 142)

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Change in option plans may cost U. S. revenue . . .

shares will be worth, after the company splits its stock on a 15-for-1 basis and sells the increased number of shares at a reported price of $60 to $70 apiece.

Total profits for the officials involved thus would be more than 24 million dollars on shares purchased thus far.

Ford spokesmen will not disclose at this time how their plan has been handled for tax purposes. But it would appear that the employes got a big bargain and might be benefited by the Tax Court ruling.

Hundreds of other corporations also are selling stock to employes. In most cases, however, they are setting prices, at the time of granting the options, that are 95 per cent or more of market value. This is to conform to the rules of the "restricted stock option."

As a rule, the employes are given long periods in which to buy, often three years or more. Whether they do buy and get big profits depends on what happens to the market price of the stock.

Under the plan of the Michigan Chemical Corporation there was no need to wait; the bargain was immediate.

For this reason, if for no other, Government lawyers feel that many companies will shift from the restricted options to more liberal plans, if the courts say they can. The Government then will stand to lose money. A more intensive effort will be made by businessmen to substitute long-term capital gains, taxed at a maximum of 25 per cent, for salary taxed at higher rates.

It is also possible that taxpayers who complied with Government rules and paid heavier taxes on stock options will be able to claim refunds.

Finally, the Tax Court ruling would be important to tightly held corporations. Frequently these firms want to grant stock options but hesitate to do so, because of the difficulty of determining market value for their stock. This determination is needed to comply with the "restricted stock option" rules. However, it is not such a crucial factor if the Michigan case is followed.

Any limitations? If the Supreme Court backs up the lower courts, does that mean all options will qualify for the most liberal tax treatment? Government men hope not, but they admit the rulings are not very clear on how they could draw a new line.

The basic test would be what the company intended: "compensation" or "proprietary interest."

A special option, involving more than a 15 per cent discount, would be considered "compensation," attorneys say, if

. . . Freer hand to reward key employes?

granted to an individual to get him to join a company. It would be viewed simply as part of the price the company paid to hire him. Hence, the full tax would be paid.

A long-term plan might also be viewed unsympathetically by the courts if the option price from the very start was set far below the market value. When the Michigan Chemical Corporation first decided to sell its stock at $5 per share, the market value was only about $4.50. No options actually were granted until the market value had risen to more than $8. Still, the court said, the original planning indicated the company was not acting with compensation in mind."

This pricing problem would not be a great obstacle to many companies. Options normally are granted at a time when the management feels the market price of its stock is due for a rise. As the market price rises, the discount increases.

Widespread interest. This much is clear: There are additional cases pending already, involving taxpayers who hope the courts' rulings will save them money. Company officials everywhere will be watching to see what happens in the Supreme Court. If the rulings are upheld there, then corporate officials will have a better chance to defer income and reduce taxes, and business will have a freer hand to reward its key employes.

› Market recovery. History shows that a full and fast recovery from a sharp break in the stock market usually means a further rise in prices to some new peak. Only three times before has the market recovered as quickly and completely as it did after the recent break. Those three occasions were in the winter of 1928, the spring of 1938 and the summer of 1950. Each time the market, having made a full recovery, went on to new highs. Whether history repeats itself this time remains to be seen.

› Defense spending. This is what you can read into the statement of Secretary of Defense Charles E. Wilson, home from the Geneva Conference: The Government will increase spending for defense in the 1957 fiscal year, starting next July 1. Volume of weapons and supplies to be bought is about the same as in the current fiscal period, when defense outlays will total around 34 billion dollars. But prices and wages are rising. Government is running up against inflation in its efforts to cut the budget and find room for tax cuts. This word comes just as President Eisenhower opens conferences on a new budget.

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A list of 50 companies likely to announce stock splits or large stock dividends has just been prepared by UNITED'S Staff. These are strong, prosperous concerns where earnings are favorable and where dividend increases can easily be afforded. The background in each case points to a stock split eventually and an increase in the cash dividend. Current dividends on these stocks offer you yields up to 7%.

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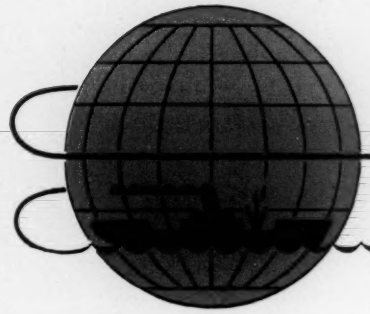


Business Around the World

GENEVA • ZURICH • BERN • BASEL

>> Creaks and groans are developing in Western Europe's boom. They are emphasized in a new report by the United Nations Economic Commission for Europe, at Geneva. This group of Western and Eastern European economists finds:

The textile industry is lagging in the general prosperity. Europeans, flush with money, are buying motor scooters, radios, vacuum cleaners more than clothing. Hard goods are getting more of a play than soft goods.

Currency reserves--chiefly gold and dollars--are building up in most of Western Europe. But Britain's reserves continue to show a weak trend. French reserves are now nearly as large as the British; German reserves are one-third bigger than the British. Italy, Belgium and other countries show good gains.

Britain is losing ground to Germany in the European market. This is true in electrical machinery, other machinery, cars, ships, railroad rolling stock and textiles. British chemicals seem to be faring better in competition with German chemicals. The gains of German exports at Britain's expense may well slow down in the future. Most German plants no longer can offer earlier delivery dates or significantly better credit terms. What's more, the home market in Germany is getting nearly as demanding as the British.

Europe's retail prices have remained remarkably stable for many months. Where there have been changes, they have been mainly on the up side in food prices. Various types of farm subsidies have something to do with this. Besides, there was a summer drought in Northern Europe. The ECE expects further rises in prices of foods, especially milk, butter and beef. Grain harvests in Western Germany, Southern Europe and Eastern Europe are considerably better than last year. And France has had another good wheat crop. This means that Europe, as a whole, will be importing less grain next year and offering more for export.

>> The ECE reports, on the basis of admittedly scattered information, that in Western Europe there has been some stocking up of raw materials, semifinished and finished manufactures.

Stocks are being accumulated by users, not producers, of commodities. This is especially true in fuels, building materials and some metals. But scrap-steel and iron-ore supplies are generally lower than a year ago. And sheet-steel supplies are very tight, due mainly to burgeoning production of automobiles.

Urge to pile up materials reflects some people's fears of shortages and price increases ahead. Part of the advances in metals this year, the ECE thinks, may be attributed to precautionary stocking up of this type.

"Involuntary stockpiling" has been occurring in textiles and in raw materials of textiles. Sales difficulties account for this trend, of course.

Coal stocks in the hands of consumers are generally adequate. Mild weather

(over)

this autumn and massive imports of U.S. coal have helped. Coal production in Western Europe isn't keeping pace with increased fuel and energy demands.

The ECE believes that, "if speculative stocking can be prevented, there may be little danger of bottlenecks in the supply of industrial materials in the near future." Controlling short-term credits is the best way of doing this. And the ECE notes with satisfaction that most Western European countries have made some kind of restrictive credit move this year. France and Italy have not tightened credit, however. And in France speculative stockpiling has gone further than anywhere else.

>> On Soviet Europe, the ECE report has this to say:

Output of producers' goods in the first half of this year expanded faster than that of consumer goods--reversing the trend of early last year.

Rise in standards of living, marked during 1954, has slowed down very much. Only in Eastern Germany are workers' wages appreciably higher than in 1954.

So retail sales volume in the more industrialized countries of the Soviet bloc is increasing at a much slower pace than last year.

Eastern European exports to Western Europe showed a year-to-year gain of almost a third in the first half. Higher prices for coal, timber and some foods helped, but mainly the increase reflected bigger quantities of goods shipped.

Imports from Western Europe were up only 4 per cent in the first half. In 1954, it was Eastern Europe's exports that lagged behind in East-West trade.

Czechoslovakia and Eastern Germany are showing large percentage gains in trade with "underdeveloped" countries such as Turkey, Egypt, Syria, Indonesia.

So much for highlights from the ECE Economic Bulletin for Europe.

>> A trickle of strategic goods still finds its way to Eastern Europe through Switzerland. But the flow is believed to be much smaller than three or four years ago. Large Swiss firms in the electrical-equipment and machinery fields show little interest in Iron Curtain business. And transit trade through free ports, such as Basel, is better controlled than it used to be.

Highest prices are still paid by Soviet-bloc agents for certain items whenever and wherever they can get them in the Western world. The products most wanted now appear to be copper wire, nickel and cobalt, in that order.

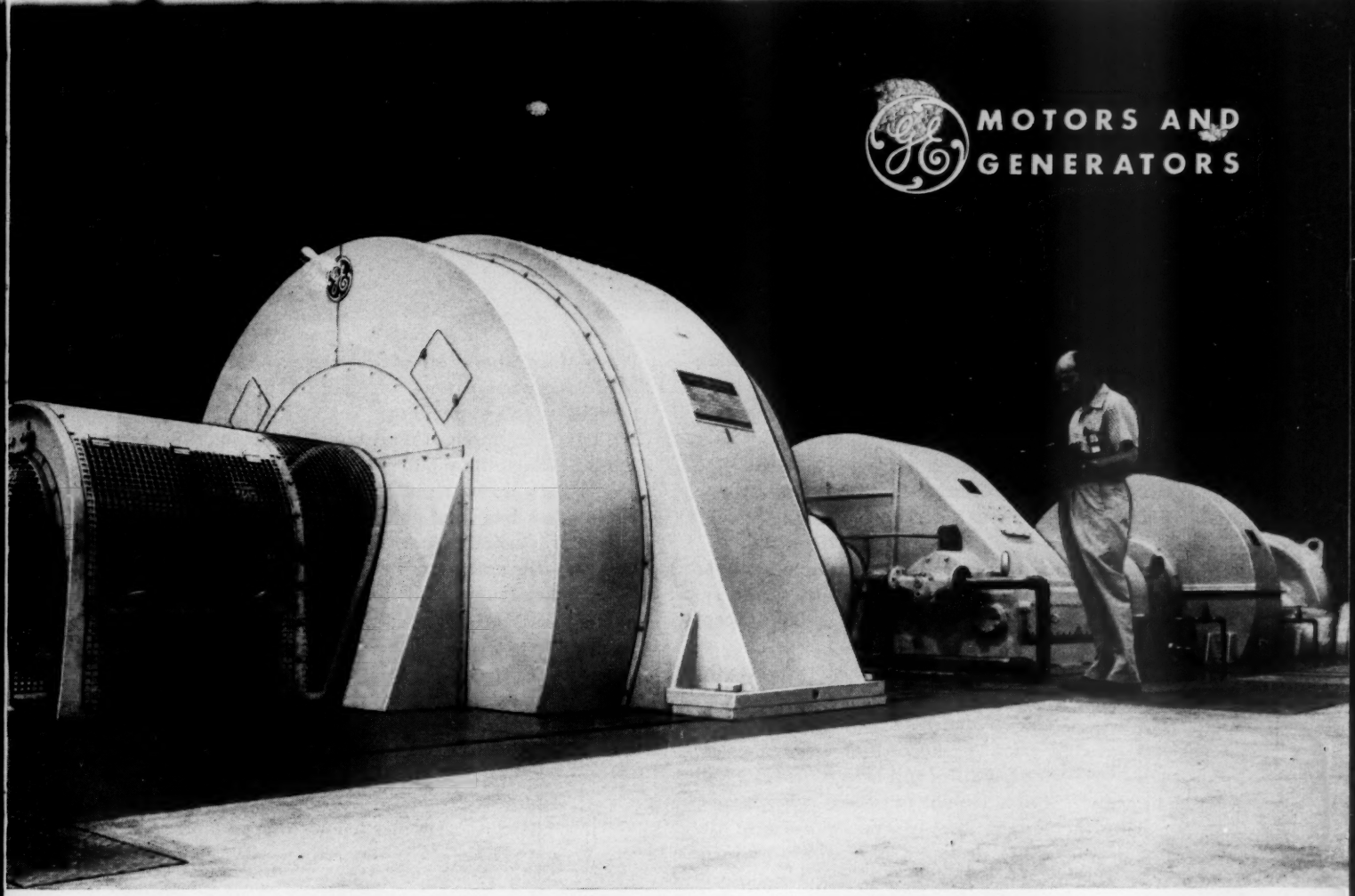
>> The Swiss economy is working at full stretch. Order books for nearly all industries are lengthening. Capacity operations are the rule.

Labor shortages are developing. More than 200,000 foreign workers already are employed in Switzerland. Most of them come from Italy or Western Germany. Swiss wages are higher than in neighboring countries. Recruiting of foreign workers isn't too difficult. But housing facilities are a limiting factor.

>> Swiss industrialists complain of an engineer shortage. Some say Americans are grabbing too many new graduates of Swiss universities and technical schools.

U.S. import duties are another cause of complaints. Swiss say their duties on U.S. goods average 6-8 per cent, while U.S. charges 35-40 per cent on Swiss goods, including some that don't compete with American products.

Because of situations such as this, the Swiss have decided to raise import duties clear across the board. They expect that to put them in a position where they can bargain for more favorable treatment.



10,000-HP G-E INDUCTION MOTORS DRIVE WATER PUMPS AT HANFORD WORKS.

Giant G-E Motor Drive Safeguards Atomic Pile

In the station room above, 10,000-hp G-E induction motors are driving water pumps at the Hanford Works—a vital production center operated by General Electric for the United States Government. Pumps force thousands of gallons of cooling water per minute through the massive atomic reactors where plutonium is being made. A sudden stoppage of flow could damage equipment.

TO HELP PREVENT THIS SUDDEN STOPPAGE, General Electric geared specially designed 15-ton flywheels to the motors. In the rare event of a power supply interruption, the powerful momentum of the flywheels will keep the pumps running for precious extra minutes so that automatic emergency safety apparatus can go into operation.

ONE OF THE UNIQUE FEATURES of this installation is the size of the motors—purchased under competitive bid by the Atomic Energy Commission. They are among the largest induction motors ever built to run as fast as 600 rpm. And the high speed of the flywheels—obtained by gearing them so they turn faster than the motors—gives a tremendous amount of stored energy without the need for extravagantly large size and weight.

BUILDING A MOTOR DRIVE to meet these tough specifications is just another example of the way G.E. comes to grips with challenging motor application problems. The same resources of research, engineering, and manufacturing skill are ready to work for you when you bring your large motor and generator requirements to General Electric. You can get complete information by contacting your nearest G-E Apparatus Sales Office. General Electric Company, Schenectady 5, New York. 770-36

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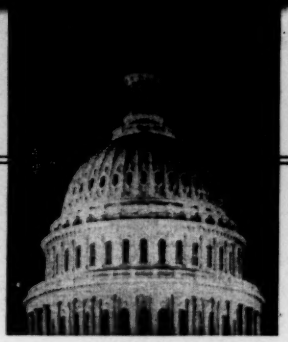
(This page presents the opinion of the Editor. The news pages are written by other staff members independently of these editorial views.)



WAS GENEVA REALLY A FAILURE?

By David Lawrence

SOMETIMES A "FAILURE" is merely a milestone on the road to success.

The two Geneva conferences raised high hopes which have not yet been realized. But any impartial survey of what the state of the world is today, as compared to what it was before the all-important sessions in Switzerland, must include what has been gained psychologically on the long, long journey toward peace.

The Geneva conferences are being headlined now as a "failure," yet it is significant that neither side reveals a desire to achieve agreement by any except peaceful means.

There have been periods in world history when the breakdown of a crucial negotiation turned the minds of people toward war. No such trend is visible today.

Instead, a conviction remains that somehow the objectives of the Western allies will be attained without war. For the Soviet Union must be aware that, in any war, she would lose—primarily because the oppressed peoples would seize the opportunity to break away from their rulers, as they did in the middle of World War I.

It must also be recognized that the factor of military force—the potential of the West—has not been reduced in importance merely because there have been discussions of peace. Similarly, the internal position of the Soviet Union on the military side is still that of a loosely federated alliance of states which wait only for the outbreak of a general war to pull away from the Kremlin.

What, then, to do after Geneva?

First of all, we may rejoice over the realistic truth that the Communists have failed to dissolve the Western alliance and have failed to bluff the governments of Great Britain, the United States and France into submission.

Geneva, therefore, was a "failure" only for the Soviets. They did not succeed in their objective of obtaining the surrender of the West, whose statesmen rejected "peace at any price."

Geneva was a "failure" for the Kremlin because Molotov involuntarily confessed the Communist strategy—to refuse to unite the two Germanys and to seek to maintain indefinitely things as they are in Eastern Europe.

This news is of transcendent importance to Eastern Europe. It will light up the smoldering fires of unrest among the oppressed peoples there. They know now that nothing is to be gained by appeals to Moscow. Their only chance lies in accepting the thesis of the West—that liberation of the captive nations can and will come when the moral force of the world is mobilized to its fullest strength.

The three foreign ministers on our side—Messrs. Dulles, Macmillan and Pinay—acted with dramatic unity. They literally put Molotov on the spot again and again. This has been and will be of incalculable value on the propaganda front. Therein is the true meaning of Geneva—the real victory for our cause.

Secretary Dulles gave the Soviet Foreign Minister repeatedly a chance to offer something substantial toward a peace agreement. Mr. Dulles even deliberately created an atmosphere of "optimism" for a few days to offset the feeling prevailing in the press that nothing could be accomplished. It was a maneuver to emphasize the sincerity of the West and to continue the appearance at least of a conciliatory spirit.

There is every need now to state and re-state the Western aims. It is more than ever necessary to underline them.

For the peoples of Eastern Germany, Poland, Czechoslovakia, Latvia, Estonia, Lithuania, Bulgaria, Rumania, Hungary and Albania have just been told by the Geneva proceedings in no uncertain terms that their hope for independence and the restoration of individual freedom lies not with the East, but with the West. This same craving for liberty must inevitably permeate also the enslaved peoples of Soviet Russia.

The workings of moral force are not always perceptible to the naked eye. But moral force is on the march now. Geneva gave momentum to the indestructible spirit of freedom.

Before Geneva, the Western governments were accused of being unwilling even to talk—of refusing to sit down face to face with the Russian leaders in order earnestly to discuss a possible agreement. The air now has been cleared. We have conferred. We have smiled. We have cajoled. But we have met an implacable antagonist.

The issues are clear to everybody as a result of the Geneva talks, and the West has emerged with honor.

The struggle for emancipation from slavery has only begun. The truth—the spread of it everywhere—can and will make men free.

Hundreds of millions of men and women on both sides of the Iron Curtain now know that they must not compromise with evil. They need only to unite in expressing their collective will in order to win a bloodless victory for human freedom.

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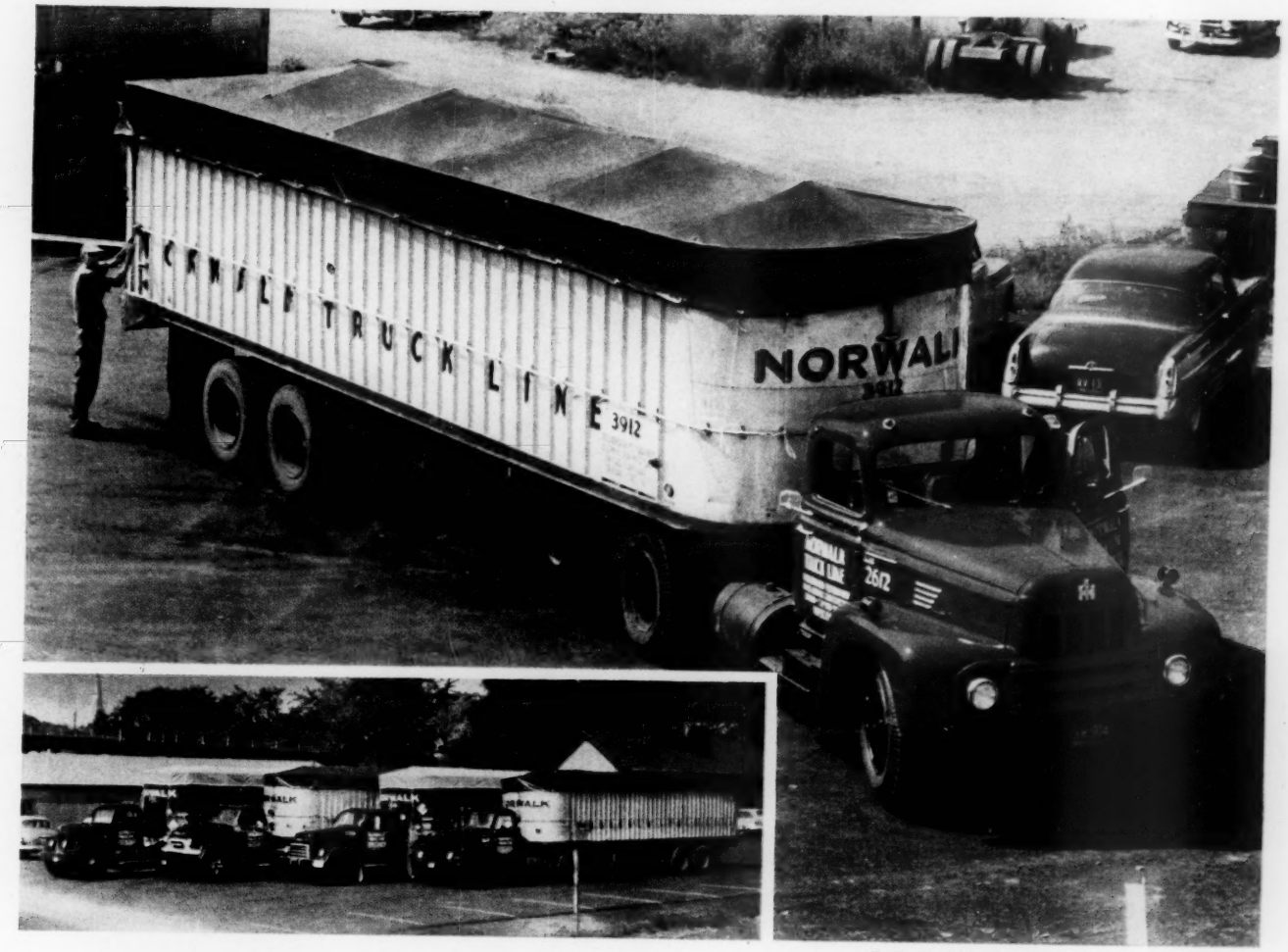

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